

SUBJECT                      Provision of Affordable Rental Housing through the Private Sector

1982

1. PURPOSE      OVERVIEW

This report overviews the findings of a study of the rental housing market undertaken by the Planning Department. The study considered the changing supply and demand for rental housing in the City and reviewed possible actions to ensure that a portion of the housing stock provides affordable rental accommodation.

While many of the pressures which sparked the 1981 housing crisis have at least temporarily abated, two factors continue to make the findings of the study relevant:

- (a) Prices have not dropped sufficiently to provide adequate affordable housing for low income households;
- (b) There is every indication that when the economy picks up again, the concerns which prompted this study will re-emerge. In that case, a review of programs discussed in this report may assist us to be better prepared for future changes in the rental housing market.

The study acknowledges at the outset that most factors affecting rental supply, that is interest rates, conditions of rental tenancy, and funding programs, are beyond the City's jurisdiction. Nevertheless there has been considerable interest expressed in the feasibility of regulatory actions to require the private market to provide or maintain affordable rental housing. The study reviewed rental housing programs adopted by other cities and considered actions the City could take through zoning and development powers to encourage affordable rental housing.

Experiences elsewhere with various regulatory programs were found not to have been overly successful. Most programs to require the private rental market to provide modest priced housing were found to be ultra vires the City's powers.

The study concluded that there are no easy short-term solutions to the complex problem of providing affordable rental housing. The City can be most effective if actions are focused on:

- I Doing what we can to ensure a surplus of sites for rental housing. Surpluses provide choice and hold prices down.
- Continuing to assist these low income households who, even in the most favourable of housing markets, are unable to afford suitable accommodation. Various non-market programs were found to be the most effective means of ensuring a continuing stock of modest priced housing.

This report is being forwarded to advise Council of the Rental Housing Study findings, to recommend a long term rental strategy, and to receive directions on follow-up actions.

Comments or questions concerning this report should be directed to

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## II. OVERVIEW RENTAL HOUSING STUDY

### I. RENTAL HOUSING STUDY METHODOLOGY

The Rental Housing Study focused on the provision of housing by the private sector. Other reports (A Social Housing Policy for Vancouver March 4, 1980, City Lands for Non-Market Housing July 23, 1981, and subsequent reports on city lands and upgrading programs) have considered non-profit and cooperative housing initiatives.

Why involve the private sector? Ninety percent of existing housing stock is privately owned. Sixty percent of annual new construction is initiated by the private sector. In theory, if a formula can be developed to ensure a portion of the existing and new private stock meets the needs of lower income households then housing opportunities can exist throughout the city.

During June - August 1981 at the request of the Council Task Force on Housing, City staff analyzed the Vancouver rental market, defined affordable rental targets, and reviewed the feasibility of a variety of incentive and regulatory measures to provide rental housing. A listing of background studies is appended. Copies of background reports are available from the City Planning Department.

A draft report was circulated in September 1981 for review by the City Housing Task Force and representatives of development and financial interests, owners, managers, and tenants of rental housing. Changing circumstances delayed their responses and redirected concerns. Eventually, several comments were received. Private sector representatives questioned the appropriateness of recommending any actions given the changing rental market. Most actions proposed by tenant groups were found to require amendments to the City Charter.

The Rental Housing Report was revised in August 1982 to reflect this input and changing market conditions.

### 2. OVERVIEW STUDY FINDINGS: AFFORDABILITY PROBLEMS

The analysis of household incomes and rents came to some seemingly contradictory findings.

On one hand, average rents have not altered substantially since 1976 as a percentage of average household income. A household earning an average income in 1976 (\$14,470) and continuing to live in the same rent controlled unit in 1982 (\$22,380 income) would be paying a lower percentage of income-to-housing today than they did 7, 13, and even 33 years ago. Even a household on social assistance who had lived in the same rent controlled unit since 1976 would be paying a slightly lower percentage of income for rent today. At first glance these findings are contrary to the popular notion that all renters have experienced substantial increases in housing costs.

Averages can be misleading. A more detailed analysis of the rental market indicated the problems being faced by a significant percentage of renters. The study found:

- At least 40% of renters spend disproportionately large percentages of income for shelter. Lowest income renters frequently pay upwards of 60% of income for shelter. While the percent of income spent on housing may not have increased during the past few years the amount continues to exceed acceptable rent-to-income standards.
- Substantial increases in rents were found to occur when:
  - units reach decontrol (50% of rental units in the city are not under control);
  - the household moves either due to demolition of older stock or changing household requirements. Over a five year period three-quarters of renters move at least once. When the move is to a larger unit (family housing) or lack of choice results in a move to a newer (often decontrolled) unit rental costs show substantial increases.

An estimated 6% of renters live in units in poor condition.

### 3. OVERVIEW STUDY FINDINGS: CAN AN APPROPRIATE PROGRAM BE IDENTIFIED?

The Rental Housing Study concluded that it will take a very creative program and a high level of shared responsibility to ensure the availability of sufficient affordable rental housing, to meet the requirements of low income households, the development community, and Vancouver taxpayers. No such program has yet been identified.

Staff reviewed a variety of programs in search of a means of providing affordable rental housing through the private market. Among the programs reviewed were:

#### (a) INCENTIVE PROGRAMS

It is possible to identify a combination of actions to provide affordable rental housing, to distribute the costs, and focus benefits on the most needy. The strategy would be to increase the stock of housing through incentives to builders combined with shelter allowances and rent supplements to improve affordability.

Examples of incentives to encourage new rental housing include grants and loans to builders, owners, and/or renters, foregone (or deferred) taxation benefits to investors and development opportunities conferred through rezoning and density bonuses.

Experience with incentive programs indicates that:

##### i) Building incentives are costly.

Just how costly has become increasingly evident to the City during the past few years as we have struggled to provide non-profit rental housing for low income households. Even with land leased at less than market rate, rezonings to higher densities and interest rates reduced to 2%, non-profit societies find it difficult to house low income households. It is not realistic to expect the private sector to do better.

##### ii) Effective income support programs can be equally costly.

The cost of shelter allowances to ensure rents do not exceed 25% of household income could amount to \$26 million annually in Vancouver City alone. Senior governments have shown no willingness to share costs.

##### iii) Senior government programs to stimulate private rental construction do not necessarily reflect City goals.

Federal programs have not necessarily provided affordable rental housing. A review of the impact of MURB-ARP programs in Vancouver concluded that the programs resulted in demolitions of modest priced older stock, provided units which were not affordable to the majority of renters, and make no guarantee of long term security of rental tenure.

Council should be aware of recent changes in the ownership of rental housing. Most MURB financed rental accommodation was strata titled prior to rental. Should the landlord wish to sell to an owner-occupier the City's current conversion control procedure would not apply. Further review of the short and long term investment decisions of MURB-Strata Title owners under various market, depreciation and interest assumptions is required to answer the question of whether the City should seek legislation to provide some security of tenure to renters of MURB-Strata Titled units. In the absence of such legislation units built under incentives for rental supply may convert to owner occupancy.

##### iv) A shortage of sites for new rental construction is contributing to increased housing costs.

A review of development opportunities in the city suggests that the housing stock is built almost to the allowable zoning capacity. Redevelopment is increasingly demolition and replacement, at higher prices, with little net gain in units. In South Granville four new units result in a net gain of

one unit. In the West End the ratio is two new units for one unit net gain. A net loss of population is occurring in areas close to saturation (West End, South Granville). In the next five years, west side apartment areas will fill to capacity.

East side apartment areas have some growth potential. Mt. Pleasant should fill to current zoning capacity during the next ten years. After 1986, False Creek North and Grandview Woodlands will be the only inner city apartment areas with some remaining development potential.

In high demand situations and in the absence of competition elsewhere, limited redevelopment opportunities can contribute to cost increases and worsen an already difficult situation.

v) Rezoning more sites for multiple housing is one means within the City's jurisdiction to insure that prices are not unduly bid up due to scarcity of developable sites.

The availability of affordable rental housing is a function of the demand and supply of housing among other factors. Given an adequate supply, competition should to some extent hold prices down.

Provision of additional apartment areas could reduce redevelopment pressures on existing modest priced rental housing. However:

vi) Rezoning incentives alone are insufficient to stimulate rental housing.

The review of incentives to encourage the private market to provide affordable housing concluded that the least costly incentives (in terms of direct outlay of funds) involve trading rezonings to allow higher density for more housing. Rezoning which involves increases in density may not, however, be an acceptable alternative to existing communities and raises questions of livability and service capacities. Increased densities do not ensure that new units will be built or that they will be affordable.

Rezoning alone were found to be an insufficient incentive to stimulate rental construction if interest rates remain high.

(b) REGULATORY PROGRAMS

Given limited funds and equally constrained legislative authority, cities have sought to implement social housing goals through zoning, public health and safety legislation.

Various forms of controls to require the private sector to provide affordable housing were reviewed. The report included an analysis of various motions to amend demolition controls and initiate mandatory inclusionary zoning. Further discussion of these motions can be found in the background reports Appendix 6A and 6D.

The Rental Housing Study found:

i) Most regulatory actions exceed City authority.

Zoning to require developers to provide affordable housing or to ban demolitions, and the authority to impose fines sufficient to force owners to maintain buildings to appropriate livability standards were judged by the Director of Legal Services to exceed the City's Charter authority.

In 1981 the City requested the Provincial Government to add a Section 571B to the City Charter to enable Council to prohibit the demolition of rental accommodation. The provincial legislature voted in July 1982 against allowing the City the requested enabling legislation. It is not anticipated that subsequent similar requests will be any more successful.

ii) The market impact of extensive regulations is expected to be counterproductive.

Even assuming the City could obtain the authority to impose more extensive controls on the private rental market, there is considerable question as to the market impact of such actions.

Programs which require the private sector to provide affordable housing were found to reduce profits to the point where housing becomes a less attractive investment relative to other sectors. In the short term, controls on demolition and mandatory inclusion requirements may ensure some existing lower price rental stock is retained. However, unless regulations are accompanied by a substantial decline in demand for housing, restrictions will deter building and lead to eventual shortages. Restricted supply results in rising prices. The long term impact of extensive regulations is probably little different from the present trend and may be even less desirable.

Extensive regulations are at best a short term holding action and at worst contribute to the shortage of affordable housing units. Extensive regulations are not recommended by staff.

iii) Few successful examples of Mandatory Inclusion or Compensatory Legislation exist.

"Mandatory Inclusion zoning" is zoning which requires the private sector as a condition of development, to include a portion of units for a specific household type and/or income group. It is assumed that without public intervention to require inclusion the private sector would not otherwise build accommodation for low income households. "Compensatory legislation" requires provision of housing to compensate for increased demand generated by new employment.

The City has implemented inclusionary zoning in False Creek and the Downtown East Side. The successful income mix on the south shore of False Creek reflects the City's land writedown policies. The few market sites in False Creek which have included social housing units were able to do so by exchanging social housing requirements for upzoning from under-utilized industrial land to intensive urban residential. The D.T.E.S. zoning is too recent to assess the impact.

A review of inclusionary programs elsewhere found:

- A variety of programs have been implemented. Few units have been provided.
- Most programs require units for modest income ownership. Few authorities have required provision of low income rental units without public subsidies.
- Most programs state as a condition of inclusion that public subsidy (income support/shelter allowance) programs must be available to ensure a fair market rent to owners. If subsidy programs are not available, developers are relieved of the burden of providing low income units.
- When mandatory programs (with or without subsidies) have been challenged in court, the courts have generally found for the developer.

Based upon recent building activity and using the mandatory inclusion formula outlined in the Eriksen proposal (see Background Report 6A) of July 1982 a mandatory inclusion program in Vancouver could yield about 350 new units annually.

If the City were to introduce compensatory legislation to require new residential units as a condition for office development (using the San Francisco formula and assuming recent office construction rates outlined in Background Report 6B) an estimated 200 new units would be provided annually.

Both calculations assume that the market would continue to develop at past rates of growth. Experience elsewhere suggests that requirements to provide affordable units, unless accompanied by rent supplements to bolster tenant rents will act as a deterrent to development.

iv) Regulation combined with incentives may meet some of Council's goals.

The review of programs concluded that for a variety of legal, economic, and equity reasons, the private sector is unlikely to provide rental housing for modest-to-low income households without incentives.

Comments from private sector representatives to the City task force on housing suggest that the market will continue to operate under various types of controls provided incentives accompany the requirement to provide modest priced housing.

Possible incentives include:

- A publicly funded rent supplement or shelter allowance program whereby the owner can recover the costs of operating and realize a modest profit.

The recent U.S. shelter allowance experiments and several European countries where combination public-private programs are in operation indicate inclusionary zoning will work provided rent supplements are available. The A.R.P. - rent supplement program of 1976-77 is a local example of public-private initiatives. The shortcoming of rent supplements is that if the public funding is withdrawn the tenant is no longer able to afford the accommodation and must move. To date senior governments have not agreed to fund comprehensive shelter allowance programs.

- Bonus provisions whereby developers can obtain additional floor space in return for providing modest priced rental units.

Experience to date with the bonus concept in Kitsilano has not resulted in many units. A detailed procedure acceptable and understandable to all participants must be formulated for calculating unit requirements, administering the units, recovering basic costs and assuring that if the units are to be sold to a non-profit organization that CMHC unit allocations are available. Experience with the Kitsilano units suggests a rent supplement is necessary for low income households.

Planning, Social Planning, Civic Buildings, and CMHC staff are developing a procedure to implement the new D.T.E.S. social housing provisions. When implemented, this procedure may be applicable in other areas.

- Requirements to provide social housing in return for substantial upzonings.

A review of anticipated capital gains resulting from upzoning concluded that capital gains will vary substantially depending upon area of the city and amount of land rezoned. Capital gains on a rezoned small apartment site, under current market conditions, are insufficient to encourage an investor to build if provision of affordable rental units is a condition of construction.

On larger sites, when the market picks up, it may be appropriate to implement a procedure similar to the False Creek Guidelines and the D.T.E.S. zoning whereby the developer is required to include a portion of the units (or equivalent value) for non-market housing in exchange for additional development potential.

The Director of Legal Services believes mandatory inclusion, compensatory programs or requirements to contribute to a social housing fund, to be ultra vires the powers of the City. If the City wishes to proceed with such programs on an extended scale, the Director of Legal Services advises that it will be necessary to obtain appropriate authority from the provincial government.

The Director of Planning advises that if Council wishes to consider further the feasibility of various inclusionary programs it will be necessary to redirect staff from other work program items or request consultant monies to prepare briefing papers for Council and the Provincial Government on the feasibility, costs and implementation procedures of an inclusionary program.

#### (c) PROGRAM REVIEW CONCLUSION

The regrettable conclusion is that no one program can be identified which meets the objective of providing affordable rental housing. Programs are either so costly that it is unreasonable to expect any level of government to redirect the necessary funds or result in unacceptably costly situations for the housing industry.

At best, the City can

- continue to request senior governments participate in programs to stimulate non-market rental housing;

- request senior government participation in rent supplement programs. An estimated annual allocation of 750 rent supplement units to assist inclusionary, compensatory, and bonus units is required;
- ensure sufficient redevelopment opportunities exist such that prices are not unduly bid up as a result of scarcity.

At worst, every indication leads to the conclusion that when the economy picks up the housing stock will continue to alter in price and tenure to the point where modest priced rental housing is not an option for many Vancouver residents. If this is an unacceptable future then rezoning changes and substantial additional assistance to renters will be necessary to alter the trend.

#### 4. A RENTAL HOUSING STRATEGY

The Rental Housing Study concluded that there are no easy short term solutions to the complex problem of providing affordable rental housing. Most forces affecting the rental market are outside the City's control. This becomes increasingly evident as one compares the no vacancy-high price situation of July 1981 with the moderated market of July 1982. City policies have not altered, external forces have.

The review of the rental housing market concluded that the City can be most effective if actions are focused on:

- Doing what we can to ensure a surplus of sites for rental housing. Surpluses provide choice and hold prices down.
- Continuing to assist those low income households who, even in the most favourable of housing markets, are unable to afford suitable accommodation. Non-profit programs were found to be the most effective means of ensuring a continuing stock of modest priced housing.

Five strategies, several of which are already underway, are recommended as long term actions to retain some modest priced rental housing:

- (i) Increase the supply of new non-market housing and retain existing modest priced rental stock through acquisition for non-market housing.

Actions underway:

Modest actions to increase the supply of non-market housing on city lands were identified for Council on July 23, 1981. A variety of initiatives are underway to acquire some existing buildings for non-market housing and to upgrade the rental stock. Funding to undertake an extensive non-market program has not been forthcoming from any level of government.

- (ii) Retain and maintain the stock of private sector rental accommodation.

Actions underway:

Upgrading programs through RRAP and D.H.I.C. activities.

Actions recommended:

- Review of rental investment decisions in MURB-Strata Titled units with a view to ensuring continuing rental tenancy.
- The stock of rental housing provided by amateur landlords, who usually are owner-occupiers renting a secondary suite, is substantial. Little or no attention has been directed toward the requirements of this sector. A review of taxation assessment, zoning, and licensing procedures as they impact rehabilitation and conversion initiatives in secondary suites is recommended. The Director of Planning is currently pursuing funding from CMHC to undertake an analysis of densification opportunities in single family areas and of the economics of secondary suite development.

- (iii) Ensure that sufficient redevelopment opportunities exist such that the price of housing is not unduly bid up through scarcity.

and

- (iv) Redirect redevelopment pressures away from existing multiple rental stock.

Actions underway:

The Director of Planning will be reporting to Council on a program to reassess and possibly revise the allowable zoning capacity to encourage more housing through redevelopment.

- (v) Ensure new employment growth is complemented by increases in the housing stock.

Actions underway:

Housing, employment, and transportation relationships are under review by the City Coreplan team. Preliminary findings from the Coreplan studies indicate new office employment is a significant factor in increasing the demand for housing in the city.

At present there is no process to link employment growth to the provision of housing, transportation, and recreation services. Costs attributable to employment growth are not assessed and directly charged back to developers of office space. The Director of Planning will be reporting on actions to coordinate employment, housing, and transportation.

A Sixth Strategy:

Staff have reviewed and                      advance for consideration but do not recommend an additional strategy.

- (vi) Ensure the annual increment to the market housing stock includes a proportion of affordable rental units.

This strategy might be appropriate if senior governments were prepared to contribute rent supplement assistance and to provide the necessary legislative authority for the City to initiate inclusionary programs. Neither condition appears likely in the near future. If agreements on rent supplement assistance can be negotiated then Council may wish to seek a Charter change to obtain authority to implement inclusionary zoning. In that case, an additional recommendation could be considered to authorize a budget of \$25,000 for the Director of Planning to prepare briefing papers on the feasibility, costs, and implementation procedures to provide affordable rental housing through a mandatory inclusion program.

Given the unlikelihood of the necessary conditions for strategy six to be implemented, other work priorities, and budget restraint, strategy six is not being recommended to Council.

## APPENDIX I

### THE RENTAL HOUSING STUDY

The following support documents form the basis for the Council report on the provision of affordable rental housing through the private sector.

The appendices address a variety of initiatives which could be considered to encourage and/or require the provision of affordable rental housing by the private sector (development and financial communities, owners and managers of rental housing).

The focus of the studies is on new initiatives within the present or potential authority of the City. Programs funded by senior governments are referenced; for although these programs are outside the jurisdiction of the City, their impact on the quality and quantity of affordable rental housing is most directly felt at the local level.

Similarly, existing City programs (e.g. municipal non-profit, D.H.I.C. programs, and enforcement of standards of maintenance) are referenced but not discussed in detail in this report.

For brevity, the report to Council contains only the conclusions of a review of programs. Material gathered in the process of preparing the Council report and the basis upon which recommendations were generated are outlined in the following appendices.

#### APPENDIX

1. Housing Task Force Terms of Reference. Council Resolution May 5, 1981.
2. The Vancouver Rental Market: Overview.
3. Socio-Economic Profile of Vancouver Renters.
4. Definition of "AFFORDABLE" Rental Housing.
5. Review of Incentive Programs to Provide Rental Housing.
  - 5A. - Income Assistance to Builders-Owners.
  - 5B. - Income Assistance to Tenants.
  - 5C. - Development Opportunities for Builders.
  - 5D. - Density Bonus to Builders of Modest Price Housing.
6. Review of Actions to Require the Provision of Affordable Rental Housing.
  - 6A. - Mandatory Inclusion Legislation.
  - 6B. - Compensatory Legislation.
  - 6C. - Conversion Control.
  - 6D. - Demolition Control.
7. Legislative Authority for City Actions.
8. Objectives of an Affordable Rental Housing Strategy.
9. Annual Targets for Private Sector Action.
10. Issues for Further Consideration.

Copies of the support documents are available from the Planning Department.

# POSSIBLE ACTIONS TO PROVIDE AFFORDABLE RENTAL HOUSING

ACTION	EXISTING PROGRAM/S	LEGISLATIVE AUTHORITY/ CITY CHARTER <sup>a</sup>	IMPACT ON PRIVATE MARKET SECTOR (Developer, owner)	IMPACT ON LOW INCOME TENANTS	OTHER PROGRAM REQUIRED
ENCOURAGE BUILDING MARKET UNITS - FILTERING TO AFFORDABLE HOUSING	MODEST GRANT/LOAN PROGRAMS FEDS, PROVINCE	NONE	IMPROVE PROFITABILITY	FILTERING SELDOM EXTENDS TO LOWEST INCOME	
TAXATION ASSISTANCE TO BUILDERS	FEDERAL MURRS ENDED	NONE	WITHOUT PROGRAM RENTAL CONSTRUCTION UNLIKELY	UNITS PROVIDED NOT NECES- SARILY "AFFORDABLE"	RENT SUPPLEMENT OR SHELTER ALLOWANCE TO IMPROVE AFFORDABILITY
TAX EXEMPT MUNICIPAL HOUSING BONDS. (funds to acquire/build non- market rental units)	NONE (not legal in Canada)	NONE	TAXATION SHELTER FOR HIGHER INCOME INDIVIDUALS/ CORPORATIONS	PROVISION OF RENTAL HOUSING NOT NECESSARILY AFFORDABLE	- LEGISLATION TO ALLOW TAX EXEMPT MUNICIPAL BOND ISSUES - RENT SUPPLEMENTS
REDUCED INTEREST LOANS TO BUILDERS TO ENCOU- RAGE CONSTRUCTION	NONE	POSSIBLY AS COST SHARED PROGRAM WITH SR. GOVT'S SECTION 192.	ENCOURAGE CONSTRUCTION	UNITS PROVIDED NOT NECESSARILY AFFORDABLE	- INTEREST WRITE-DOWN SHELTER ALLOWANCE OR RENT SUPPLEMENTS
PROPOSAL CALL (low interest loans to build for sale to non-market sector) (also called Turnkey)	NONE	DITTO ABOVE SECTION 192	ENCOURAGE CONSTRUCTION	PROVISION OF AFFORDABLE RENTAL HOUSING	- INTEREST WRITEDOWN PUBLIC HOUSING ACQUISITION FUND - RENT SUPPLEMENTS
EXISTING UNITS ACQUISITION FOR NON MARKET HOUSING	FEDERAL INTEREST WRITEDOWN PROGRAM PROVINCIAL ASSIST. SENIORS/HANDICAP.	YES SECTION 193	REMOVES BURDEN OF HOUSING POOR.	PROVISION OF AFFORDABLE RENTAL HOUSING/PROJECT STIGMA?	- ADDITIONAL UNIT ALLOCATIONS - FUNDS FOR SINGLES & COUPLES HOUSING - RENT SUPPLEMENTS
ASSISTANCE TO OWNERS OF EXISTING RENTAL HOUSING	FEDERAL -RRAP PROVINCIAL HOME CONVERSION PROGRAM	SECTION 192 COST SHARED PROGRAM	ENCOURAGE UPGRADING USUALLY INCREASES RENT	UNITS NOT NECESS- ARILY AFFORDABLE	-RENT SUPPLEMENTS
INCOME ASSISTANCE TO TENANTS	-PROVINCIAL SAFER -PROVINCIAL SENIORS/ HANDICAP IN NON PROFIT	DITTO SECTION 192	IMPROVE PROFITABILITY	DEPENDS ON VACANCY RATE. LOW VACANCY RATE. RESULT MAYBE INCREASE IN RENTS FOR MARGINAL NET GAIN.	- GENERAL SHELTER ALLOWANCES - RENT SUPPLEMENTS - COORDINATE WITH SUPPLY PROGRAMS
INCREASE DEVELOPMENT OPPORTUNITIES	-	YES	FACILITATE ACTIONS TAKE PRESSURE OFF OLDER STOCK LONG LEAD TIME	INCREASE SUPPLY NOT NECESSARILY AFFORDABLE	- COORDINATE WITH SHELTER ALLOWANCES to improve affordability.
DENSITY BONUS FOR MODEST PRICED UNITS	RITS BONUS ZONING	YES	LITTLE INSUFFICIENT INCENTIVE	FEW UNITS SIGNIFICANT INCREASES IN BONUS MAY BE CONTRARY TO COMMUNITY DENSITY OBJECTIVES.	- COORDINATE WITH RENT SUPPLEMENT
DEMOLITION REGULATION	CITY DEMOLITION BY-LAW	YES	INSIGNIFICANT SLIGHT DELAYS	UNITS LOST	
DEMOLITION BAN	NONE	NO	DISCOURAGE SUPPLY	REDUCED SUPPLY RENTS BID UP	-PROVINCIAL AUTHORITY
DEMOLITION WITH REPLACEMENT	NONE	NO	DISCOURAGE SUPPLY	REDUCED SUPPLY RENTS BID UP	COORDINATE WITH RENT SUPPLEMENTS - PROVINCIAL AUTHORITY
RENT CONTROL	PROVINCIAL	NONE	DISCOURAGE SUPPLY	RETAIN MODEST PRICED UNITS IN SHORT TERM	SHELTER ALLOWANCE PROGRAM
CONVERSION CONTROL/BAN	CITY CONVERSION POLICY	YES (FOR RESIDENTIAL RENTAL ONLY)	ENCOURAGE DEMOLITION & REPLACEMENT BY STRATA	RETAIN SOME RENTAL STOCK	
CONVERSION CONTROL STRATA RENTAL TO STRATA OWNER OCCUPIED	NONE	NO	DISCOURAGE INVESTMENT IN RENTAL HOUSING	REDUCED SUPPLY RENTS BID UP	- PROVINCIAL AUTHORITY
MANDATORY INCLUSION OF LOW INCOME UNITS IN NEW DEVELOPMENT (INCLUSIONARY ZONING)	FALSE CREEK O.D.P.	NO	DISCOURAGE DEVELOPMENT	REDUCED SUPPLY BIDS PRICES UP	- PROVINCIAL AUTHORITY
COMPENSATORY ZONING (link housing supply to office growth)	NONE	NO	INCREASE COST OF OFFICE DEVELOPMENT	UNITS NOT NECESSARILY AFFORDABLE UNLESS RENT SUPPLEMENTS.	-PROVINCIAL AUTHORITY RENT SUPPLEMENTS
EXCLUSIONARY ZONING (rental only districts)	NONE	NO	REASSESS INVESTMENT POSSIBILITIES	PROVISION OF RENTAL UNITS NOT NECESSARILY AFFORDABLE	-PROVINCIAL AUTHORITY -RENT SUPPLEMENTS

## DEFINITIONS

**LEGISLATIVE AUTHORITY/CITY CHARTER :** Powers of the City are outlined in the Vancouver City Charter. Some powers are explicit -- we either have or do not have the authority to act. Some actions can at best be described as "gray areas". We are not certain whether we have the power to act. Not all eventualities of the 1980's and beyond were considered when the City Charter was written. This is the case for several actions to assist social housing which Council may wish to undertake through the zoning and development by-law. The YES/NO column under legislative authority reflects the judgement of the Director of Legal Services as to the authority allowed under the City Chart r.

<sup>a</sup> **RENT SUPPLEMENTS:** Income assistance tied to a specific unit to ensure that tenant rents do not exceed 25-30% rent-to-income.

<sup>b</sup> **SHELTER ALLOWANCES:** Income assistance available to tenants to reduce rent-to-income ratios. Not tied to specific units.

## Appendix I

### Housing Task Force

#### Terms of Reference

On May 5, 1981, Vancouver City Council passed the following terms of reference for a Housing Task Force.

THEREFORE BE IT RESOLVED THAT the Chairmen of the Finance Committee, Planning and Development Committee and Community Services Committee be charged with the responsibility of:

A. Bringing together selected

- senior civic officials
- members of the development community
- representatives of non-profit housing organizations
- federal and provincial housing officials

- B. (i) To evaluate existing and new proposals, including financial, staff, legal, zoning and other implications and
- (ii) To prepare a series of programs, projects and proposals which will comprise an "AFFORDABLE RENTAL HOUSING STRATEGY" for Vancouver.

C. The list of actions for review included:

(i) City Lands

Report on City Lands suitable for non-market housing  
(considered by Council July 23, 1981)

- Improve administration and co-ordination of City-owned land for social housing.
- Create a social housing land acquisition fund.
- Identify underutilized City-owned land.
- Inventory all City-owned land and assess its suitability for housing.
- Review eligibility criteria and write-down policy for City-owned land.
- Review GVHC operation: should the City reactivate its Housing Corporation?

(ii) Inter government social housing co-ordination committee  
established July 23, 1981

- Streamline CMHC, Provincial and City approval processes to expedite construction of social housing projects.
- Review CMHC and Provincial Housing Programs, including unit allocations, maximum unit prices, mortgage interest write-down and other housing subsidies.
- Examine Provincial and Federal income assistance and shelter allowance programs to ensure they reflect current rental rates.
- Amend the Residential Tenancy Act to provide rental subsidies to displaced tenants to cover the extra costs of alternate accommodation, and extend the eligibility for relocation expenses and rental subsidies to include these cases where the building is closed by City By-law enforcement action.
- Amend Provincial/Federal Income tax Regulations to provide capital cost allowance for rental housing of moderate cost and to change depreciation regulations to discourage the demolition of good rental accommodation.

(iii) Provision of modest income housing by private sector

Report attached

- Provide social housing in private rental housing developments.
- Control demolition and condominium conversion of rental housing.
- Require developers to contribute to the City Land Acquisition Fund to compensate for not including social housing in private residential development.
- Bonus developers to build extra units for social housing and provide a mechanism for operating them.

(iv) Increase the supply of housing

Report forthcoming

- Increase the maximum permitted density for residential development in selected areas of the city.
- Encourage residential development in underbuilt areas of the city.
- Rezone inappropriately zoned commercial or industrial land for residential use.
- Increase the yield of sites already committed to residential use, including redevelopment of the site to a higher density and the construction of infill housing.
- Rezone selected areas of the city for rental housing only.
- Development of housing units on top of existing buildings.
- Convert larger, older single family homes to multiple residential use.
- Create secondary suites in single family homes.
- Rehabilitate multiple residential buildings and convert non-residential buildings for housing.
- Zoning to balance office and residential construction.
- Provide bonus in downtown district for more residential as well as office.
- Infill housing. Review areas where possible.

(v) Other Actions

- Encourage single, elderly home owners to share their accommodation with other senior citizens (Shared Accommodation for Seniors Program).
- Explore the possibility of a relocation allowance for senior citizens who wish to move to more suitable accommodation.
- Examine the feasibility of innovative mortgage and equity plans
- Review the Red Door and YWCA Housing Registries.

## APPENDIX 2

### THE VANCOUVER RENTAL MARKET

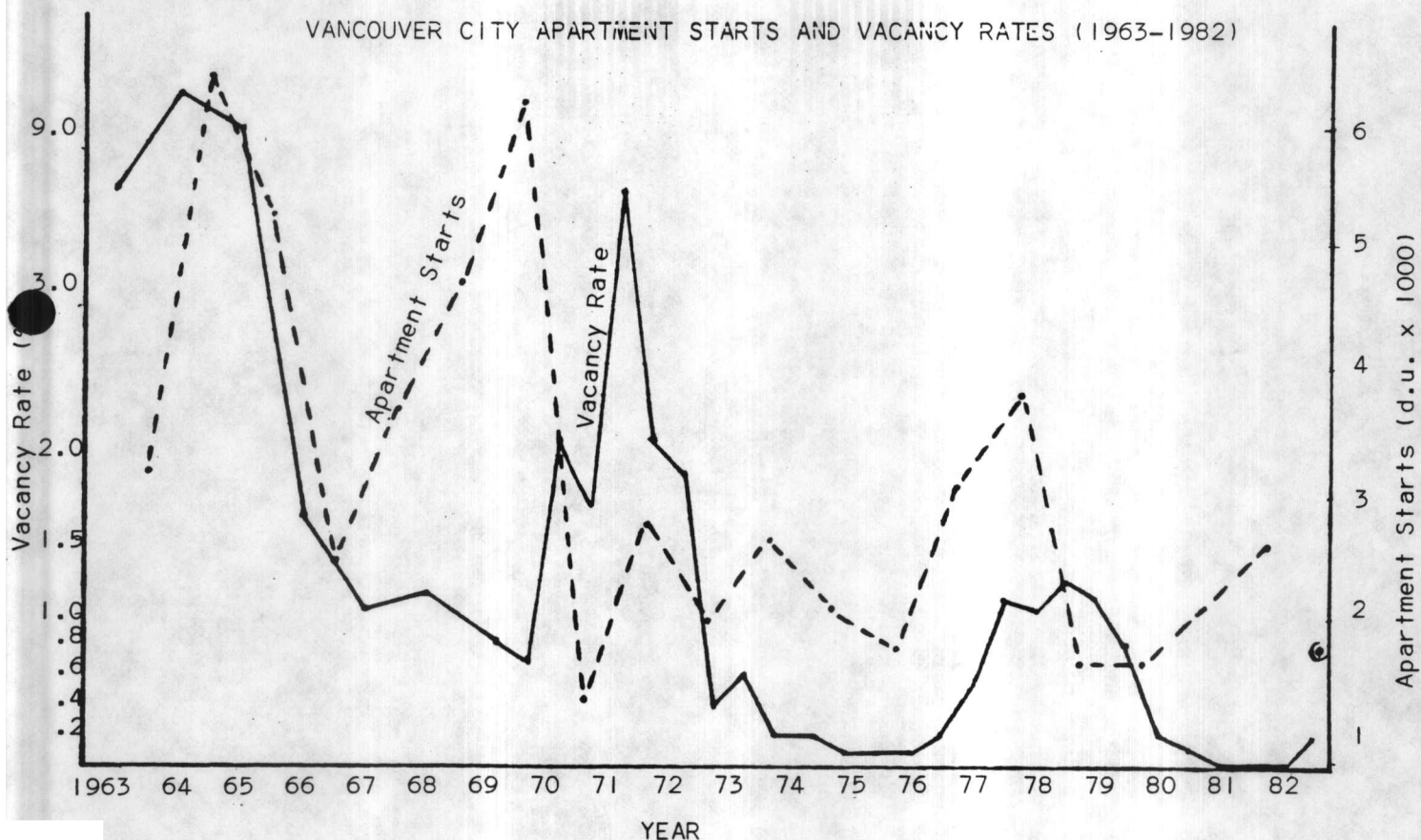
#### I Issues to consider when reviewing recommendations concerning the Vancouver rental market.

- The private sector does not find it profitable to own and operate rental housing for modest to low income households without government subsidies.
- The majority of rental stock in Vancouver was built with some form of government assistance.
- Various incentive and disincentive programs continue to distort the rental market.
- The development industry continues to demand less government interference (rent decontrol) and more government incentives for rental housing.
- As the incentive to build rental units declines the supply of new units diminishes, the vacancy rate drops putting additional upward pressure on rents and demands for stronger rent controls. Controls in turn discourage investment and create inequities between controlled and decontrolled units.
- Vacancy rates in higher priced units have eased during the past few months as a result of completions and declining immigration. The effect will only be temporary as high interest rates curtail normal construction activities.
- Current high interest rates are causing deferment or abandonment of new rental construction.
- Thirty five percent of tenants do not have an adequate income to afford current rents. Less than 10 percent of renters have sufficient income to afford the economic rent on a new one bedroom unit.
- A large proportion of rental units are owned and/or operated by landlords with small rental portfolios, limited resources and limited experience in the rental housing market.
- The stock of "pure" rental units is provided, for the most part, in buildings in excess of ten years of age.
- New multiple residential (rental) construction built with government assistance for rental units is being strata titled before occupancy. Should owner-investors of recently constructed (rental) units wish to convert to owner occupied tenure the existing city conversion control legislation will not block the loss of rental stock.

#### II. Rental housing production 1970-1981

During the past ten years multiple rental starts and vacancy rates have varied considerably. The years 1974, 1978 and 1979 were low production while 1975-1977 and 1980 experienced higher rates. Vacancies have varied from highs of 3-4% in 1964, 1971, and 1978 to lows of less than 1% in 1969, 1975 and 1980-1981.

Detailed figures on starts and vacancy rates can be found in Understanding Vancouver's Housing Part III(b). An estimated 96,300 units (55% of stock) are currently rental in the City of Vancouver.



:from CMHC and Real Estate Trends  
 :© from Rental Housing Council April 1982

Various factors including the nature of the rental housing industry, government programs, interest rates and development and management costs account for changing production rates. Altering demographics explains various take-ups of rental stock.

(a) Who builds and rents housing in Vancouver

The building and management of rental housing is a mixture of public and private actions.

TYPE OF PROGRAM ACTIONS	MURB, CCA ARP route	Proposal call for Public Housing	Non-Profit Housing
Who finds sites	Private Sector Program not now available	Private Sector Program not now available	Public Sector Non-Profit Groups
Design/Development	Private Sector	Private Sector	Private Sector on Contract to Non-Profit
Building Regulations	Public Sector	Public Sector	Public Sector
Source of Financing	Private Sector	Private Sector	Private Sector
Monthly Rent Payments	- Tenant Income - Public Sector (tax shelters, ARP)	Tenant Income Public Sector Subsidies (NHA, Province)	Tenant Income Public Sector Subsidies (NHA Province)
On-going Management	Private Sector	Public Sector	Non-Profit Group
Target Group	Middle Income High Income	Low Income	Low to Middle Income

MURB - Multiple Unit Residential (Rental) Building  
 (program ended May 1982)

ARP - Assisted Rental Program (program ended 1979)

NHA - National Housing Act (Federal Program)

(i) The Investor-Owner

Vancouver builders historically have built rental units for sale to investors. Investors-owners of rental housing tend to be professionals drawn to investment in rental housing through government tax incentives (MURB/ARP) which allow sheltering of other professional income through rental investment. An estimated 65% of the rental housing stock was initially built and sold for tax shelter purposes. Usually management firms operate the buildings on contract for investor-owners.

The process of building for immediate sale to investors is different than, for example, the Toronto market of the 1960's where large corporations built and retained the units in their own portfolio which they then operated as landlords.

In the Vancouver market where builders build for immediate sale it is difficult to attach requirements for ongoing provision of social housing.

(ii) The Non-Profit Corporations

Twelve percent of rental stock has been built under government non-market programs and is managed by government or non-profit groups. A small proportion of this stock was built by the private market on proposal call for governments.

(iii) The "Amateur Landlord"

The majority of the remaining 23% of the rental stock (and a large number of illegal suites not formally counted in surveys of housing stock) are owned and operated by amateur landlords. Most of this stock is in conversions or secondary suites and forms a substantial proportion of the City's lower cost accommodation.

Owners receive little or no government assistance. Units are developed to supplement income, distribute the mortgage-debt service burden and sometimes, in the case of elderly persons, provide companionship to owners and accommodation for extended family members. The Federal Residential Rehabilitation funds and Provincial Conversion Loans Assistance are two limited programs available to amateur landlords. Studies of amateur landlords elsewhere suggest that property tax concessions, zoning to encourage conversions and shelter allowances accompanying rehabilitation activities are means of encouraging the amount, economic viability and retention of this lower priced stock.

Owner-occupied buildings providing secondary rental units are frequently replaced by professional-investor rental units through the redevelopment process.

(b) Impact of government programs on the provision of rental housing

(i) Pre 1974: Government Programs Encourage Rental Housing

Contradictions implicit in the cost of building and renting accommodation have always confounded policy makers. In the post-war era (leading to the sixties) the solution to this dilemma was to allow beneficial tax treatment for investors in residential rental accommodation. As long as investors were prepared to trade off reduction in their gross returns on investment for a large net tax saving and associated tax benefits then the twin objective of production and low rents could be accomplished. A danger of this policy, however, was that it could, and in fact, did lead to an over-allocation of resources towards rental apartment investment and away from other sectors. By 1964 Vancouver vacancy rates had climbed to 4 to 5%. The stage was set for a return to a strategy of non-intervention in the housing market.

More serious to the consumer was the problem of possible substantial increases in rents if these tax benefits were eliminated at an inappropriate time; e.g. when the demand for rental accommodation was increasing, or when portions of the rental stock were being withdrawn to be converted to strata title. Without the cushion of tax shelters, rents would be higher since the full costs would be borne by the tenant. This is exactly what happened during the high demand years of 1973-74 following federal taxation reform measures and coincidental with demand for rental accommodation by the post-war baby boom and high immigration to B.C.

(ii) 1974: Rent controls discourage new production

Low vacancy rates and cries of unduly high rent increases resulted in March 1974 in the imposition of rent controls by the provincial government.

The impact of rent controls on the housing market is a hotly debated issue. Some suggest that if rent control is removed the market will immediately supply an adequate quantity of affordable rental housing. The private sector recommends phasing out of rent controls, retention of front end incentives to developers and rental assistance to tenants unable to afford market rents.

Others argue that the rental market responds more directly to taxation concessions and note new rental units are not immediately subject to rent controls and that few if any units built since rent control was introduced in B.C. in March 1974 have eventually come under control.

Tenant concerns focus on inability (or unwillingness) of renters to pay market rents. Why, it is argued, should the industry receive incentives to build if there are no assurances the units will be affordable rental.

There is no doubt that rent control is one of several factors discouraging construction of rental accommodation. There is considerable doubt, given other factors such as high interest rates and land costs, whether the removal of rent controls would in-and-of-itself be sufficient to reactivate the rental market.

Some security of tenure and protection against unwarranted price rises can be accomplished through adequate supply. In the absence of sufficient supply, a system of rent review and income support to assist low income renters to pay a fair market price for units is desirable.

Until the income support programs are in place rent control is one of the few methods of temporarily retaining a stock of rental accommodation. In the long term rent controls, demolition controls and similar restraints on profit taking will result in reduced supply and general price rises through the entire housing market.

(iii) 1977-1978: The return of government incentives

To reverse the decline in rental starts (by 1974 starts fell to 56% of the 1969 level) governments introduced a series of policy initiatives including the Assisted Rental Program (ARP) (a loan assistance program) and an extremely generous tax subsidy program - MURBs, the acronym for investment in Multiple Unit Residential Buildings.

Individual investment in rental housing was encouraged by two types of tax provisions. The first permits an investor to reduce his tax payable by deducting from his total income certain initial development costs (interim financing, architects fees) referred to as "soft costs". These soft costs typically comprise 15% to 20% of construction costs. The MURB allows investors to use a rental buildings capital cost allowance as a deduction against total income.

The market's response to MURB-ARPS in 1977 and 1978 (despite rent controls) was to increase production. Vancouver vacancy rates jumped to 3-5% by 1978. Over building (from the investor's perspective) which occurred as a result of these subsidies depressed rent levels.

By late 1978 the realities of costs and vacancies meant that even with the advantage of capitalizing the tax subsidy benefits, the return on investment (given the level of rents) was insufficient to encourage further production.

Increased vacancy rates, costs of the program and (to a lesser extent) criticism of the assistance resulted in the termination of the ARP program. MURB programs have been the subject of annual review.

In the City of Vancouver the combination of ARP-MURB subsidies generated 2,900 new rental units between 1976-1979. During the same period an estimated 1,470 rental units were demolished for a net gain of only 1,430 rental units.

For comparison, from 1976-1979 2,640 new rental units were built by non-profit and cooperative societies. Since most were built on vacant land few demolitions resulted from non-profit units. Agreements with societies ensure reasonable rental rates.

(iv) 1979-1980: A strong demand for housing

In 1979-1980 demand for accommodation took another strong upward turn. Population growth in B.C. in 1980 was 2.83% the highest level since 1974 and more than 2.5 times the rate for Canada. The strong performance of the B.C. economy during 1980 contributed to high in-migration levels. From October 1979 to January 1980 the employed sector of the provincial labour force increased by 5.6% compared to 2.2% for Canada. The unemployment rate was well below the national average.

Low vacancy rates resulted from a variety of demographic and economic factors. Sharp increases in home ownership costs during 1979-1980 and early 1981 forced a number of households to postpone purchase and remain in rental accommodation. In-migration added to the number of households looking for rental units.

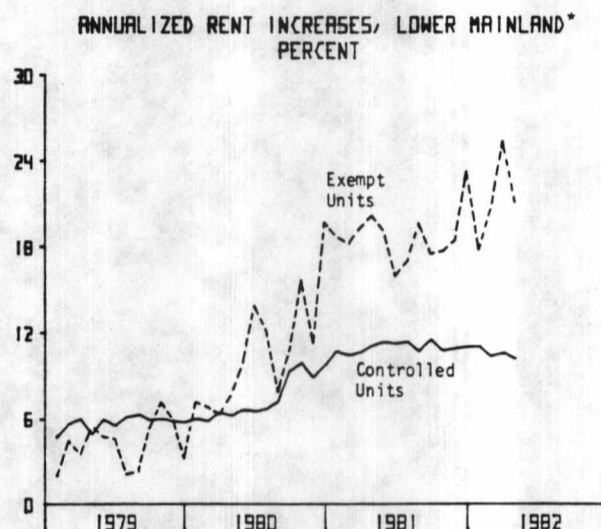
With near zero vacancy rates people were hanging on to the housing they had. Normal annual turnovers of 25-30% were reduced to 20% and less in lower priced stock. Turnover in publically assisted units is virtually nil.

Demand increased at a time when huge government deficits were restraining extension or reinstatement of subsidy programs. Proposed shelter allowance schemes did not materialize. To offset subsidies lost, and in response to increased demand, rents rose further contributing to affordability problems and inequities

(c) The 1981 rental market

(i) Inequities in the rental market

Rent controls are increasingly creating inequities in the housing market. Several rent levels have developed -- controlled units, decontrolled units, and exempted units. B.C. Ministry of Lands, Parks and Housing Studies and the Rentalsman's Office indicate the differences in rent increases by category and amounts.



\* Annualized rent increases for controlled and exempt 1-bedroom apartment units in the Greater Vancouver Regional District reported to the Office of the Rentalsman each month.

Source: Office of the Rentalsman

Figures from the Rentalsman's Office indicate:

- Relative to rents in exempt units, those living in rent controlled units are getting a "bargain". To some extent, households who might normally move out of the rental market through home ownership, doubling up or living at home for a longer period of time continue to rent controlled units. High house prices and high interest rates are compounding the rental problems by discouraging or delaying movement into owner occupancy by higher income renters.

Those households indirectly receiving assistance through controlled (reduced) rents are not necessarily those most in need of the assistance.

People entering the rental market (who can't necessarily afford higher rents) are forced into the exempted or decontrolled units where rents are higher. The disparity between the two or three levels of rent grows. The inequities of high rents relative to income results in demands to either clamp down on all rental prices or to release all clamps.

- Units tabulated in the Rentalsman's records account for only 50% of rental households in the City.

Various sources of information suggest some 96,300 households rent in Vancouver city. Yet the Rentalsman's figures account for less than half of this total. Some units have risen to decontrol levels, others are exempt (constructed during the past five years, secondary suites) still others are probably strata title units rented under private agreements between landlord and tenant.

Given existing rent levels and allowable rent increases rental housing in Vancouver will be decontrolled in less than five years.

(ii) Returns for investors in rental property

Evidence of rates of return on rental investment in Vancouver, despite rent controls, is contributing to pleas by tenant groups for extension of rent controls.

A study of rental properties sold in Vancouver in 1979 undertaken by George Gau, UBC Urban Land Economics, indicated the average rate of return on rental investment was 42% before taxes, 21.1% after taxes. His findings suggest that equity gains from high real estate values have been masking the negative impacts of rent controls. Without the 1979-1980 real estate boom, and relying on operating flows alone, many investors would have lost money or earned less than 5% on buildings less than 5 years old.

Investors are realizing high rates of return on equity through rising property values. Buildings bought 5-10 years ago with financing at low interest rates show reasonable operating flows until the units are sold to realize the equity appreciation. Refinancing them results in increased operating costs.

(iii) Changing tenure of rental stock: Pure rental a trend of the past

Over time the tenure and price of the rental stock is altering. In the past, purpose-designed rental buildings were owned by one investor or company. The City's Condominium Conversion Policy retains the majority of this older and generally lower priced stock in rental tenure.

Demolitions of rental accommodation (averaging 800-1,000 units/year) generally involve the loss of the lower priced rental accommodation and replacement by higher priced strata (condominium) units. The strata units are frequently re-rented. This process is gradually altering the price and ownership of the rental stock.

Accommodation built since 1976 is not only higher priced, it has also been strata titled prior to rental. In part this change reflects a desire by builders (fearing rent controls) to take their profit immediately upon completion. The strata title process also caters to the typical investor in rental accommodation whose income frequently permits the purchase of units but not entire buildings and facilitates resale as and when desired by individual investors.

The implications of strata titled rental units are significant. The units will only remain in rental tenure as long as sale to an owner occupier is not a more viable alternative. At that point the renting tenant is displaced. The City currently has no control over this displacement and loss of rental stock..

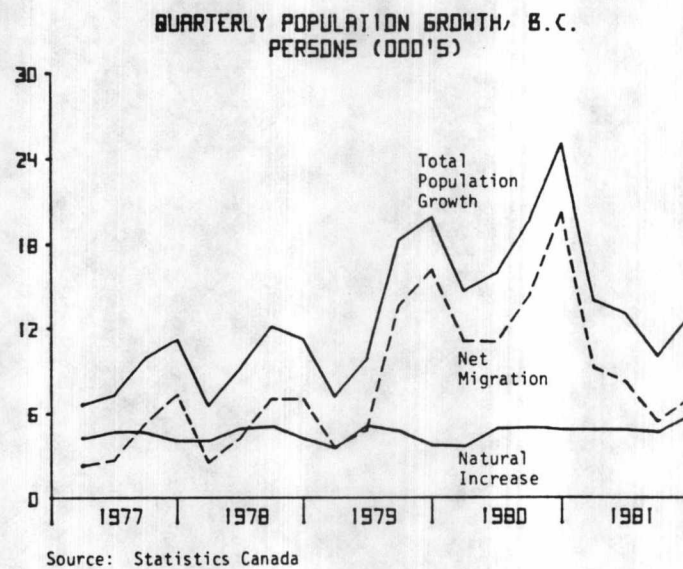
(d) The 1982 Rental Market

A reversal has taken place during the last six months in the Vancouver and B.C. rental markets. Vacancies have increased from 0.1% to 1.7% in the Vancouver area. The increase in vacancies reflects:

- new construction stimulated by the Federal MURB program. The MURB program was slated to end in December 1981. In anticipation to MURB ending and in response to demand many developers started construction a year ago. This is now coming into the market.

When the Federal budget confirmed that MURB would not be renewed a final rush to secure footings occurred. Many of these buildings are now in the footing stage and may not proceed until economic conditions improve and interest rates come down. In the Vancouver area there are 5,500 rental units under construction.

- Demand has declined due to reduced in-migration. Unemployment and cutbacks are forcing people to share accommodation.



- Vacancy rates are increasing in most types of accommodation. It is unclear whether filtering is occurring as new higher price units come available. More likely, vacancies in lower priced units reflect doubling up rather than upward mobility of households.
- Rent increases are slowing down due to higher vacancies.

(e) The Anticipated 1983 - 1984 Rental Market

The recession economy, continued high interest rates, termination of MURBS and increasing vacancy rates are discouraging new rental investment.

Provincial market analysts anticipate that recently completed units will provide sufficient vacancies through 1983.

Unless new initiatives stimulate rental construction or demand declines substantially a declining vacancy rate could again occur by 1984.

Unless provincial policies alter, by 1984 the majority of units will be out of rent control.

June 1982 reports from the Rentalsman's office indicate:

Controlled Units	49,307	51%
Recorded decontrolled/ exempt units	19,588	20%
Not recorded by Rentalsman assume not controlled	27,405	29%
Estimated total rental households City of Vancouver	96,300	100%

#### ACKNOWLEDGEMENT

Data for the overview of the rental market has been gathered from a variety of sources including City Planning Department records and writings of George Gau, UBC Urban Land Economics; Mark Ricketts, Market Research Economist; Peter Stobie, Ministry of Lands, Parks and Housing; Rental Housing Council of B.C., B.C. Government Housing Quarterly, Office of the Rentalsman.

### APPENDIX 3

#### Socio-Economic Profile of Vancouver Renters

Details of renter profiles are provided in Understanding Vancouver's Housing Parts III (a), and Part IV (a). The following are several overview comments for reference when considering rental requirements.\*

- . Fifty-four percent of the city's households rent.
- . Most households with affordability problems are renters. An analysis of housing problems in the city suggests that 34% of the city's renters pay in excess of 30% of their income to rent. (In comparison only 10% of owner occupiers face similar problems.)
- . Rental units provide accommodation for persons unable or unwilling to buy units. More often than not the renter is unable to afford ownership: rental is the only option.
- . High interest rates and high house prices are holding some higher income households in rental.
- . The profile of renters is altering from predominantly young, upwardly mobile to less affluent single parents, elderly and working poor. Ability of consumers to pay is becoming increasingly significant in setting rents.
- . Among those who frequently seek rental accommodation are elderly persons unable or unwilling to assume ownership obligations. Fifty percent of the city's households headed by persons over 65 years of age are renters. Eighty percent of those elderly renters have little or no income other than basic pension support.
- . The most telling argument for maintaining a stock of modest priced rental accommodation is the service it performs in providing accommodation for lower income wage earners. Approximately 38% of the city's employment is low paying clerical and service jobs. Granted some of these wage earners form part of two wage earner households. The majority, however, are the sole supporters of a household.

During the past few years employment opportunities in the city have continued to increase while the proportion of those who both work and live in the city has been declining. Businesses require an extensive support work force. Many of these employees earn less than average wages. As declining proportions of the labour force can afford to reside close to employment, costs of working and doing business in the city increases as additional time and funds are required for transportation to the city.

- . At present 16% of renting households are families with children presumably preferring ground oriented accommodation. This translates into a demand for about 15,500 ground oriented units. A supply of about 20,000 ground oriented rental units are estimated to exist of which 3,000 units are non-market ensured affordable for families. There is no way of ensuring that the remaining 17,000 units are either affordable to families or occupied by families.

\* Detailed 1981 census data was not available to update this section. The section will be revised when 1981 data is available

#### APPENDIX 4

#### DEFINITION OF "AFFORDABLE" RENTAL HOUSING

(June 1981) \*

##### (a) DEFINITION OF AFFORDABLE

"Affordable" rental housing is a relative term the calculation of which requires consideration of household income, household size and life styles.

For the purposes of this report, the following definitions of "affordable" units will be used:

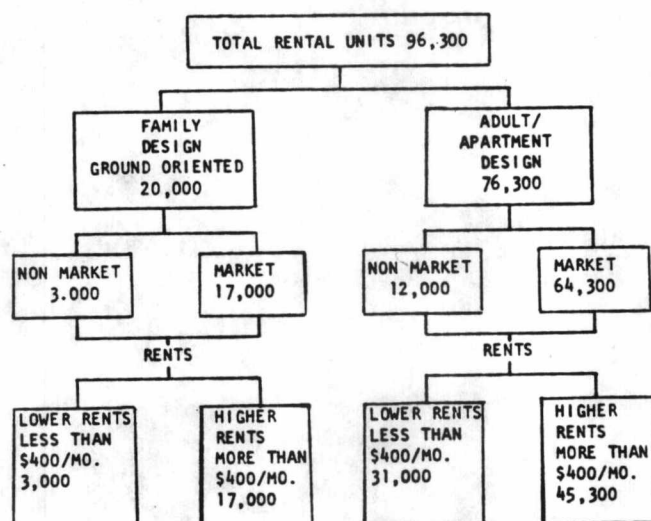
TERM	MAXIMUM INCOME/YR	MAXIMUM RENT/MO 25%	UNIT TYPE
Low income adult affordable	\$12,000	\$250	Studio/1 Bed Adult
Modest income adult affordable	\$20,000	\$400	Studio/1 Bed Adult
Low income family affordable	\$20,000	\$400	2+ Bedroom Family
Modest income family affordable	\$30,000	\$600	2+ Bedroom Family

These definitions were developed by reviewing rental rates, incomes of tenants and assessing ability to afford housing.

##### 1. RENTAL STOCK BY PRICE

Fifty-five percent (96,300) of dwelling units in the city are rental. Rental housing includes a variety of units: purpose designed apartments, legal and illegal suites, non-market housing, single family and duplex units owned and operated by both professional and amateur landlords.

Estimates of the existing rental stock:



\* Will be updated when 1981 census data is available.

## 2. CALCULATING AFFORDABILITY

The number of "affordable" rental units depends upon the definition of the relative term "affordable". There are two methods of calculating affordability.

### (a) RENT-TO-INCOME FORMULAS (Gross income)

Various figures from 25-30% rent-to-income ratios have been used as appropriate proportions of income to spend on shelter. Whether 25 or 30% is used as the guideline does not appear to make a significant difference to the number of households facing affordability problems. Most renters with affordability problems currently spend in excess of 40% of rent-to-income.

Government public housing programs have traditionally applied 25% rent-to-income as an acceptable proportion of income for shelter.

Given an estimated regional average household income of \$32,000 at 25% of income to shelter "affordable" rental accommodation can be defined as all units renting at \$650 per month or less. Averages can mislead. For example, average incomes of renting households are estimated to be \$16,000 per year. Moreover, many renters subsist on minimum pension, social assistance or minimum wages. To a single old age pensioner on a minimum income of \$5,200.00, rental aid (SAFER) is available on units renting at \$265.00 per month or less. At this rent the pensioner would be spending 60% of income to shelter. At 25% of rent-to-income, the pensioner would have to find accommodation renting at less than \$110.00 per month.

Using 30% rent-to-income a city study estimated in 1979 that 33% of renters (30,000 households) had affordability problems. Subsequent reviews suggest the numbers may approach 40,000 (42%) renting households today.

### (b) Market Basket Approach

The market basket approach estimates the cost of obtaining basic goods and services. Using a variety of indicators of minimal costs of food, clothing, transportation and housing, minimal income requirements for various sizes of households to live in Vancouver have been identified.

Basic subsistence levels for a couple with two children, a single mom with two children, a couple and a single person are shown on the following chart. It is important to remember that these are truly minimal incomes. It is assumed that the household lives in lower priced rental housing, uses the bus and eats only a subsistence diet. No allowance is made for a phone, cablevision, babysitting or entertainment. A "plus minimal luxury" income assumes a phone, older car and some entertainment. These items are hardly luxuries for many people but for low income households even a newspaper is often an unaffordable luxury.

VANCOUVER 1981  
BASIC SUBSISTENCE INCOME

HOUSEHOLD	BASIC SUBSISTENCE INCOME	PLUS SOME "LUXURIES" (childcare, car, phone)	ASSUMED RENT/MONTH*	Implied Ratio R/I
2 Parents 2 Children (under 12)	\$16,500	\$23,500	3 Bedroom Apt. Conversion \$520	37%-26%
Single Mom 2 Children (under 12)	\$10,000	\$14,000	2 Bedroom Apt. Conversion \$375	45%-32%
Couple	\$8,000	\$12,000	1 Bedroom Apt. \$285	42%-28%
Single Person	\$6,000	\$9,000	Studio/Room \$212	42%-28%

Update of 1981 United Way Analysis

\*These are lowest possible figures taken from Red Door rental agency listings. For example, the average rent for a two bedroom unit is more in the order of \$660/month. At 30% of income a monthly income of \$2,000 (annual income, \$24,000) is required to afford it.

### 3. RENT-TO-INCOME OBSERVATIONS

Several observations can be made from a comparison of rents and incomes in Vancouver.

- (a) Few renters overconsume housing. Thus households spending large proportions of income on shelter do so because of a low income relative to shelter costs not as a result of overconsumption.
- (b) In theory there is almost sufficient rental stock at prices affordable (25% rental-to-income) to the range of household incomes.

	% of Units	% of Renters By Income	
30%	More than \$400 Rent/Month	More than \$20,000 Income/Year	30%
38%	\$250 - \$400 Rent/Month	Income \$12,000 - 20,000 per year	42%
32%	Less than \$250 Rent/Month or Non Market	Less than \$12,000 Income/Year	28%
100%			100%

In practice not all higher income people live in the higher priced stock. As a result at least 30,000 and possibly as many as 40,000 renters spend in excess of 30% rent-to-income.

- (c) In 1981 dollars, to adequately serve the existing renting households it would be necessary to ensure at least 35% of the rental stock was affordable (through low price and/or additional shelter allowance assistance) to households on incomes of \$12,000 or less (rents \$250/month) and another 55% of stock affordable to households on incomes from \$12,000 to \$20,000 (maximum rent \$400/month).

#### % of Rental Stock Desirable Proportions of Units by Rent Level to Meet User Affordability Requirements

10%	Higher Priced Rental
55%	Rent \$250-\$400/month
35%	Rent less than \$250/month

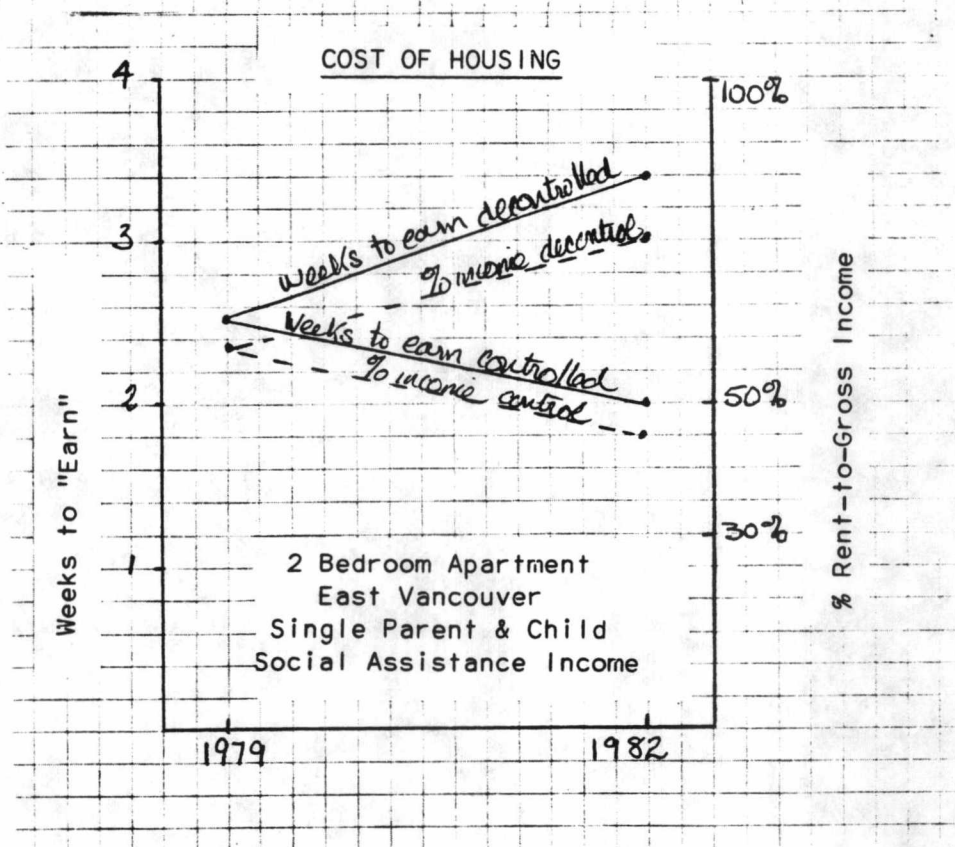
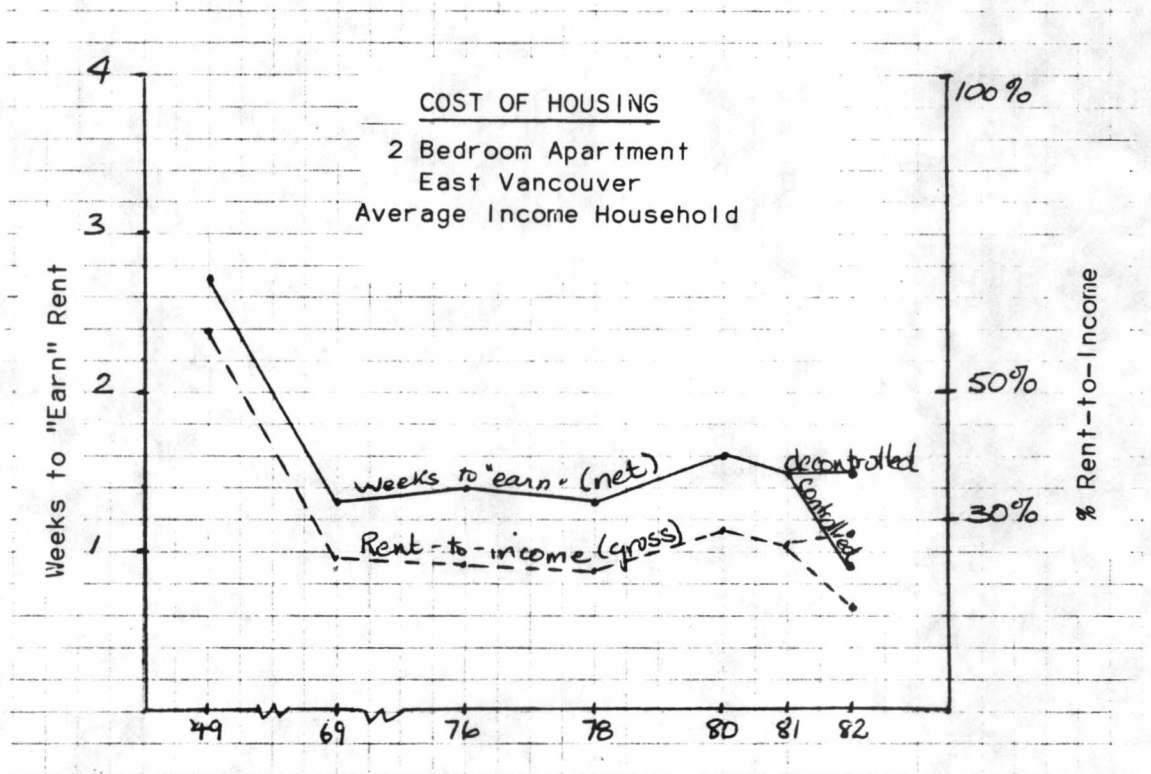
1981 DOLLARS

- (d) Apartment owners indicate the difficulty of providing accommodation within these price ranges given average monthly operating costs of \$125.00 (more in family buildings), plus costs of financing (a \$50,000 mortgage at 21% interest amounts to \$844/month financing charges) and even minimal profit. Existing buildings may have lower mortgage costs until resale or refinancing occurs.

- (e) Average rents have not altered substantially since 1976 as a percentage of average household income. A household earning an average income in 1976 (\$14,470) and continuing to live in the same rent controlled unit in 1982 (\$22,380 income) would be paying a lower percentage of income-to-housing today than they did 7,13, and even 33 years ago. Even a household on social assistance who had lived in the same rent-controlled unit since 1976 would be paying a slightly lower percentage of income for rent today.

These figures suggest that while social programs during the 1970's may have assisted lower income households to maintain their relative position, they have done little to reduce the gap between the well-to-do and the poor. One can speculate that as social programs are cut back, in response to government restraint, lower income households will fall further behind. Problems will be increased as an increased percentage of rental units reach decontrol and if present restrictions on development capacity continue to result in replacement of modest priced older accommodation by new strata units.

(Detailed charts follow).



At first glance these findings are contrary to the popular notions that all renters have experienced substantial increases in housing costs.

Averages can be misleading. While the percentage of income spent on housing may not have increased during the past few years, at least 40% of renters pay rents which exceed normally acceptable rent-to-income standards.

- (f) When households move they may experience increased costs. Changing circumstances, whether brought about by changing household requirements (size, income), the necessity to move (renovation, demolition, etc), or changing policies (rent decontrol) were frequently found to place the household into a problem situation. Over a five year period three-quarters of renters move at least once. When the move is to a larger unit (family housing) or lack of choice results in a move to a newer (often decontrolled) unit rental costs show substantial increases.
- (g) During 1980-81 the housing market received the brunt of criticism for what appears to be an overall decrease in disposable income. As noted, for many households, housing as a percentage of income did not alter appreciably during the 1970's. However when non deferrable costs of housing are combined with taxes, utilities, basic food, clothing and transportation costs less than 30% (and for lower income households less than 10%) of income remains for discretionary spending. Declining discretionary income caused by increases in the cost of all basic goods, services and taxes and, in some cases, loss of employment, appear to be the reason for mounting personal financial difficulties. Changing rental housing costs do not appear to be the sole or necessarily primary cause of problems.

CHART 1.

## COST OF HOUSING

HOW LONG DOES IT TAKE TO "EARN" HOUSING?\*

	1949	1968	1976	1978	1980	1981	1982	
Average weekly wage - gross	\$	\$140	\$278	\$301	\$343	\$404	\$430	
Net after taxes, UIC, CPP	\$ 45	\$113	\$194	\$230	\$266	\$306	\$309	
Average Rents**							c *** d	
West End (Frame)								
Studio Rent		\$ 95	\$180	\$210	\$235	\$260	\$215	\$365
"cost"		34 hrs	37 hrs	36 hrs	35 hrs	33 hrs	26 hrs	1.2 wks
% gross income		16%	15%	16%	16%	15%	12%	20%
1 bedroom		\$110	\$210	\$240	\$280	\$310	\$280	\$408
"cost"		1 wk	1 wk	1 wk	1 wk	1 wk	.9 wk	1.3 wks
% gross income		18%	17%	18%	19%	18%	15%	22%
2 bedroom	\$125	\$145	\$326	\$375	\$385	\$425	\$330	\$603
"cost"	2.8 wks	1.3 wks	1.7 wks	1.6 wks	1.5 wks	1.4 wks	1 wk	1.8 wks
% gross income	60%	24%	27%	29%	26%	24%	18%	32%
Mt. Pleasant (Frame)								
Studio Rent		\$ 90	\$175	\$180	\$225	\$250	\$244	\$340
"cost"		32 hrs	36 hrs	31 hrs	34 hrs	33 hrs	29 hrs	1 wk
% gross income		15 %	15%	14%	15%	14%	13%	18%
1 bedroom		\$105	\$200	\$210	\$230	\$255	\$253	\$404
"cost"		38 hrs	41 hrs	36 hrs	35 hrs	33 hrs	31 hrs	1.2 wks
% gross income		17%	17%	16%	15%	15%	14%	22%
2 bedroom		\$145	\$275	\$285	\$415	\$455	\$300	\$501
"cost"		1.3 wks	1.4 wks	1.3 wks	1.6 wks	1.5 wks	.9 wks	1.5 wks
% gross income		24%	23%	22%	28%	26%	16%	27%

\* Number of hours or weeks etc of monthly net income required to rent unit.  
Assume 40 hour work week.

\*\* Real Estate Board Trends

\*\*\* June 1982 Rent Review Commission  
c = controlled  
d = decontrolled or exempt

CHART 2.

COST OF HOUSING  
SOCIAL ASSISTANCE RECIPIENT

Social Assistance Income	1979		1982			
			Controlled		Decontrolled	
	Income/wk gross	Av. rent month	Income/wk gross	Av. rent month	Income/wk gross	Av. rent month
Household/ Unit Type Mt. Pleasant						
Single/Studio "cost" Rent-to-income	\$ 68 wk 3 wks 71%	\$210 mo.	\$ 99 wk 2.5 wks 57%	\$244 mo	\$ 99 wk 3.4 wks 79%	\$340 mo
Couple/1bdm. "cost" Rent-to-income	\$113 wk 1.9 wks 44%	\$215 mo.	\$155 wk 1.6 wks 38%	\$253 mo	\$155 wk 2.6 wks 60%	\$404 mo
Family (3)/2 bdrm "cost" Rent-to-income	\$137 wk 2.0 wks 48%	\$285 mo.	\$185 wk 1.6 wks 37%	\$300 mo	\$185 wk 2.7 wks 62%	\$501 mo
Single Parent & Child/2 bedrm. "cost" Rent-to-income	\$113 wk 2.5 wks 58%	\$285 mo.	\$147 wk 2 wks 45%	\$300 mo.	\$147 wk 3.4 wks 75%	\$501 mo.

CHART 3.

COST OF OWNERSHIP  
HOW LONG DOES IT TAKE TO BUY AN AVERAGE HOME?

	1976	1977	1978	1979	1980	1981	1982
Average weekly wage after taxes, etc.	\$194	\$214	\$230	\$248	\$266	\$306	\$329
House price	\$ 62,470	\$ 65,800	\$ 67,100	\$ 69,275	\$ 82,500	\$178,200	\$127,300
"Cost"	6.2 yrs	5.9 yrs	5.6 yrs	5.4 yrs	6 yrs	10.4 yrs	7.4 yrs

## APPENDIX 5A

### REVIEW OF INCENTIVE PROGRAMS TO PROVIDE RENTAL HOUSING:

#### INCOME ASSISTANCE TO OWNERS - BUILDERS

Incentives to assist affordable rental housing include cash transfers to builders, owners and/or renters, forgone (or deferred) taxation benefits to investors and development opportunities through rezoning and bonuses.

Incentives available from senior governments tend to be monetary. Incentives most easily provided by the city involve development opportunities. Brief comments follow on various measures.

#### 1. TAXATION ASSISTANCE PROGRAM

##### (a) Assistance to Builders - Investors in Rental Housing - MURBS

Various assisted multiple unit rental programs have recently been funded by senior governments. The programs provided assistance through tax deductions (deferments) for the provision of rental housing (MURBS). In the mid 1970's loans, grants to owners and interest rate reduction assistance were also available under the Assisted Rental Program. Both programs have been terminated.

A recent review of the programs (Gau & Wicks 1982) concluded that government subsidy (ARP) and taxation (MURB) policies did not directly affect the differential expected returns among real estate investments and that the MURB program provided no incremental incentive to the development of multifamily rental units.

In the case of the MURB program, the study indicated that the tax-shelter subsidies of the program were fully capitalized into property values. Pre-MURB land owners received a windfall gain. The MURB program had little impact on rents and the long-run supply of apartment units.

The study found that MURB was an expensive subsidy policy that was ineffective as a housing assistance program. It provided no incentive to increase the allocation of investment funds and resources to the multifamily housing sector, while carrying a substantial long-term cost for both the federal and provincial governments. Even though the permanent cancellation of the MURB program may cause a reduction in multifamily housing starts for a short time until the subsidies are de-capitalized from market prices, such losses are only temporary and would be recovered in future starts once equilibrium prices are reestablished.

The Wicks-Gau analysis compared MURB rates of return with adjacent non-MURB projects. Rates of return were found to be similar. This implies that government programs contributed to increasing the cost of rental accommodation resulting in land prices comparable to more luxury ownership units.

These findings confirm concerns raised by the City with respect to ARP MURB programs. Other concerns raised by the City include:

- . Focusing assistance on new construction is increasingly contributing to the removal of older rental stock and replacement by new units eligible for assistance and taxation concessions. The net result is a modest increase in the absolute number of units and a net decrease in the number of lower price units.
- . Public subsidies do not go to renters most in need. MURB-ARP programs do not require that tenants are low income. Rents charged even after capital cost allowances (CCA) and ARP assistance were not affordable to the majority of renters.
- . Insensitivity to local needs in terms of location, unit type.
- . Encourage absentee landlords, third party management (often less concerned with tenant problems).
- . Tax breaks decrease over time thus encouraging initial investors to withdraw. This frequently results in refinancing at higher interest rates which are passed on to the tenant.
- . Encouraging frame construction through the 10% CCA allowance tended to provide lower quality (noisy) housing than found in masonry units. (10% CCA no longer available). In many areas zoning does not permit the heights to make masonry economic.
- . As the attractiveness of the tax shelter declines investors seek other means of making a profit. Resale to owner occupiers and demolition for new construction place anxieties on the tenant and pressure for reactive legislation on the City.
- . Units are frequently strata titled prior to occupancy. There is no assurance that market units built under assistance to rental housing programs will remain rental after assistance ends. The practice of STRATA titling for investment purposes prior to rental is increasing the stock of rental accommodation not subject to the City's conversion control regulations. Revision of the Provincial conversion control legislation would be necessary to provide security of tenure to renters.
- . Programs which rely on "filtering" are slow (if ever) to alleviate problems of low income tenants. Just about the time the unit filters down pressures to convert, renovate or demolish take over.

The question needs to be asked as to whether subsidies to assist market rental housing which removes modest priced older stock, which are not necessarily affordable to the majority of renters and which promise no long term security of rental tenure, and which provide no real incentive to increased investment are an effective means of providing rental accommodation.

(b) Tax Exempt Bonds

U.S. cities have the option of issuing tax exempt bonds to raise funds for housing. This option is not currently available in Canada.

US experience with tax-exempt bonds indicates that the bonds appeal to investors facing high tax burdens. In practice this restricts the pool of investors to about 2% of individual tax payers and a handful of institutional ones (primarily banks, and fire and casualty insurance companies).

Alternate investment practices of banks and insufficient individual demand is resulting in pressures to increase bond yields to attract individuals in lower tax brackets. Bonds are then less attractive to municipalities as a source of funding.

(c) Assistance to "Amateur" Landlords

Several studies in other cities indicate the significant, but largely unnoticed in public policy, role of "amateur" landlords in providing rental housing.

Schemes to phase assessment increases resulting from upgrading and conversion have been beneficial elsewhere. A review of the economics of the "amateur" landlord market is required.

2. REHABILITATION ASSISTANCE

Take up of federal funds for residential rehabilitation by private landlords has been declining due to the unattractive nature of program guidelines. (1979 297 units committed, 1980 136 committed, 1981 159 self-contained & 43 rooms, first six months 1982 16 self-contained units). RRAP(p) Private Sector provides a \$2,500 grant tied to a \$250 a year forgiveness clause and 10 year rental rate agreements negotiated by CMHC. Money required for renovation beyond the \$2,500 per unit grant is borrowed at current interest rates (with CMHC insurance). These guidelines have not changed substantially since the program was introduced in 1974. High interest rates, the cost of renovation, and control agreements which set rents based upon pre-renovation rates (plus cost of renovation) discourage landlords from using the program. Landlords can in most cases undertake renovation, forgo the grant, and make up the grant value through increased (non controlled) rents.

The federal landlord RRAP program is only attractive in downtown accommodation where post-renovation rents continue to beat levels subject to rent controls and in conversions for new units.

New conversions are eligible for the provincial government conversion loan assistance and RRAP funds applicable to the upgrading the original unit. Rents for new conversions are not based on pre-renovation rates. Landlords can set rates at market resulting in satisfactory rates of return.

Extension of the affordable rental stock through rehabilitation and conversion activities requires:

- (1) Zoning to allow and the guidelines to encourage conversions.
- (2) Shelter assistance to ensure rents are affordable.
- (3) Grants, tax concessions, zoning opportunities provided the landlord offers some guarantees of the provision of modest priced accommodation.

The senior government renovation/conversion funding programs are already in place. Shelter allowances are required to ensure renovated units remain affordable.

3. PROPOSAL CALLS: INTEREST ASSISTANCE AND GUARANTEED SALE FOR BUILDERS

Proposal calls to private sector builders to provide units on a turnkey basis with reduced interest rates on front-end loan financing and guaranteed sale to government were successfully implemented in Vancouver in 1977.

Units built on a 1976-1977 B.C. Government Proposal call program were small projects scattered in existing multiple areas. Units were bought and are now rented on a rent-to-income basis by B.C. Housing Management. Analysis of units built under the 1976-1977 Proposal Call Program indicated that provided the units were in suitable locations, small scale, and of a minimum two-bedroom size that adequate family housing could be built. The units remain in the public sector as housing available and affordable to households unable to pay going market rents.

Guidelines for a Proposal call program to provide public or non-profit housing

- Call for private sector developers to identify suitable sites and build (to Housing Families at High Densities standards) housing.
- Provision of attractive interim financing rates. (Might be of interest to people holding sites but unwilling to move due to high interest rates).
- Purchase and on-going management of the projects by government. (B.C. Housing Management Commission or GVRD Housing Corporation).
- Rent subsidies to low income (primarily family) tenants on a rent-to-income basis. (Federal-Provincial cost sharing agreement required).

4. ASSISTANCE TO NON PROFIT GROUPS TO ACQUIRE EXISTING RENTAL HOUSING

Limited City Lands and costs of new construction for non-profit housing were outlined in a July 23, 1981 report on City lands.

Transferring older rental stock into non profit rental housing or tenant cooperatives is a means of retaining modest priced units and removing from the private sector the burden of operating less profitable rental units.

A review of CMHC maximum unit prices and acquisition costs suggests available assistance can provide non-profit rental units through acquisition and renovation of existing older stock for non-market housing. The City has requested unit allocations from CMHC to implement a "SAVES" program. Limited unit allocations and an emphasis on new "starts" is frustrating effort to retain existing rental units.

5. SEQUESTERING REVENUES

Several U.S. jurisdictions (Los Angeles, Sacramento) redirect tax increments derived from urban renewal areas to finance alternate accommodation for low and moderate income households displaced by urban renewal activities.

## APPENDIX 5B

### INCOME ASSISTANCE TO TENANTS

Various forms of rent supplements, housing or shelter allowances provide financial assistance to low income households based upon some indicator of affordability. They are usually (though not necessarily) intended to be spent to reduce housing costs. Shelter allowances are discussed in detail in Understanding Vancouver's Housing Part IVC, Pages 7-11. In summary:

- Shelter allowances are appropriate when the inability of the household to obtain decent housing is the result of low income rather than poor quality housing.
- To be effective and equitable shelter allowances need to be applied universally to all households in a target group and provide adequate levels of assistance for the specific housing market. Programs need to extend beyond city boundaries to at least a market area level and preferably be provincial or national programs.
- To be effective shelter allowance rates must take into account different housing costs between and within market areas.
- Usually shelter allowances are means tested and provide only a proportion of the costs between a basic percent of income (30%) and average market rents.
- Caution must be used in applying shelter allowances in "no vacancy" markets. Unless rents are controlled shelter allowances can become a transfer payment to landlords with little or no improvement to tenant affordability. Shelter allowances become more viable when vacancy rates are sufficient to avoid immediate rent increases (2% approximate).
- Experience elsewhere with a variety of incentive and regulatory measures to encourage the provision of affordable rental housing through the private sector suggests that a wide range of measures are acceptable provided rent supplements or shelter allowances are included to bridge the gap between tenant ability to pay and unit operating costs.

It is neither economically feasible nor an appropriate market response to suggest the city provide rental subsidies to tenants. It is important for the city to encourage senior governments to provide rental assistance to low income tenants at least in conjunction with programs to provide/require additional modest priced rental accommodation and preferably to all needy renters.

Programs combining provision of a proportion of units in private developments for modest-low income households and publically funded rental assistance to low income households share more equitably the burden of providing affordable rental housing.

Vancouver City Council adopted during 1980 several resolutions requesting the senior governments to participate in shelter allowance/rent supplement programs. Without this increased level of assistance for the lowest income households it is not possible to house many low income households in non-profit and co-operative housing -- let alone in market units.

DEVELOPMENT OPPORTUNITIES FOR BUILDERS (DENSIFICATION)

A variety of actions involving increasing maximum permitted residential densities, rezoning inappropriately zoned commercial and industrial land, conversion of larger and single family homes into additional dwelling units, and increased mixed use residential above non-residential uses has been broadly described by the term "densification".

Several observations can be made concerning densification opportunities.

- (i) There are numerous opportunities to increase the residential capacity of the city. These will be explored in a subsequent report on densification opportunities.
- (ii) Densification does not necessarily ensure rental housing affordable to low income households will be constructed.
- (iii) Densification is not a quick response to affordable housing requirements. A process of developing criteria, selecting area, and community discussions is recommended prior to densification actions. (A process will be outlined in a subsequent report on densification opportunities.)
- (iv) Several zoning schedules allow mixed uses with residential on top of commercial. Developers have undertaken a variety of prototype developments during the past few years. Not all mixed uses are successful.
- (v) Conversion of warehouse to residential is actively being pursued in several downtown locations. An estimated 5,000 dwelling units could be created through conversion of non-residential buildings. Units will not necessarily be inexpensive.
- (vi) On March 16, 1981 Council considered the issue of (illegal) suites in single family RS-1 districts. Council agreed to continue its present policies on illegal suites.

The problem of illegal secondary suites is not unique to Vancouver. Experience elsewhere with legalization has resulted in confirmation of existing units but few additions to the stock. A recent Vancouver Planning Department study of RS-1A areas created in 1977 confirmed this finding. Only 5 suites had been processed by the City in 4 years. In each of these 5 cases home owners came forward in response to City enforcement procedures and not of their volition. The "legalization" and encouragement of suites through the RS-1A schedule has not had the intended effect of stimulating new secondary suites, encouraging the upgrading of existing suites, or reducing the number of illegal suites and associated problems.

- (vii) The Planning Department is currently reviewing existing (and potential) conversion RT-2, RT-2A areas.
- (viii) Proposals to rezone inappropriately zoned industrial and commercial lands are limited and in conflict with other goals. Since 1968 the city has initiated several major rezonings of industrial lands. More than 190 hectares of industrially zoned land has been rezoned since 1968 to accommodate non-industrial uses. The development of B.C. Place could involve a further 25 hectares.

Further opportunities for rezoning should be considered in the context of a proposed densification opportunities review, a study of industry in Vancouver currently underway by the Planning Department, and programs initiated by the Office of Economic Development. The Goals for Vancouver to provide a wide variety of housing cost and type should be considered in the context of other goals to promote diversity of employment opportunities and protect land suitable for industrial purposes

- (ix) Provision of additional alternate housing development opportunities through rezoning may be an effective means of reducing redevelopment pressures on existing older multiple stock. Providing adequate development opportunities at least assists in ensuring rents are not unduly bid up due to scarcity.

These issues will be explored more thoroughly in a subsequent report

## APPENDIX 5D

### DENSITY BONUS TO DEVELOPERS OF MODEST PRICED HOUSING

Housing density bonuses are the extra dwelling units over and above the maximum number allowed as an outright use given to a builder who in return agrees to build some low and moderate income housing.

The economic rationale of the housing density bonus is that the extra units can be supplied at lower cost because:

- (1) They are built - so to speak - on "free land".
- (2) They add relatively little to costs of site preparation and common space in multiple developments.
- (3) Individual rents or selling prices will be lower in bonus units since costs are calculated on individual unit construction and furnishings.

A density bonus provision was introduced for the RM-3B and RM3A-1 zoning in Kitsilano in 1976. The Bonus Provision Kitsilano allows:

- The RM-3A1 zoning allows a maximum floor space ratio of 0.75%. However where units of size and character of other units within the building are provided for the purpose of senior citizen housing, handicapped housing or units for individuals or families of low and average income, an amount may be added so that 20 percent of the total units are for this purpose. In no case shall the floor space ratio exceed 1.9.
- The units must be of equal design, construction, materials and furnishings to the market units. However, the individual negotiation that occurs, possible reductions in unit size for senior citizens may be desirable for additional or less costly units; units oriented to the handicapped will contain the appropriate "hardware".
- Rental units would be filled from a list of tenants provided by B.C. Housing Management, the City of Vancouver, or other appropriate agency as approved by the City.
- These units would be registered as a covenant under Section 215 of the Land Title Act to ensure that their use for these purposes continues or until a mutually agreed upon termination date is determined.
- In the case of a sale of a unit, the purchaser will enter into an agreement with the City of Vancouver, not to resell the unit for five years at a price exceeding purchase cost, plus the annual increase in the consumer price index. The units would be oriented to households who will be spending approximately 25% of their annual income for mortgage payments.

A December 6, 1978 agreement between the City and a private developer proposing to build some bonus units resulted in the following additional guidelines being established:

The rent shall not exceed the maximum amount of rent which may be claimed by a couple pursuant to the Shelter Aid for Elder Renters (SAFER) program.

The effect of the 1978 rent calculation guideline was to establish rents in relation to tenant ability to pay and available government subsidies and not as originally anticipated, from costs of construction.

The Kitsilano Bonus provision has not been tied to available subsidy programs. The Bonus is intended to operate with the floor space bonus as the only incentive. (This is in contrast to an existing Toronto bonus program which provides for density bonus in conjunction with government subsidies where available).

In the five years since the Kitsilano Bonus provision was instituted there have been almost no takers. In December 1978 a 45 unit apartment project negotiated a bonus unit in exchange for a f.s.r. of 1.51. In September 1979, a 33 unit apartment including 2 bonus units was approved. This project was subsequently abandoned. Another developer reviewed the feasibility of a project to contain 11 bonus units. These were eventually approved and are now occupied. In five years 12 bonus units have been created.

There are several reasons for the lack of bonus units:

- (1) Contradictions between building height guidelines under the building code and zoning by-law. These have recently been resolved.
- (2) Emphasis on luxury units in Kitsilano resulting in a potentially unacceptable (to developer) spread between incomes of market purchasers and bonus tenants. There arose a question of just how to justify subsidies to house low income people in buildings with built in saunas, jacuzzis, etc.
- (3) Developer-investor practices to strata title apartment units during construction. Whether units will be owner-occupied or rented depends upon market-investment conditions. There is some reluctance among developers and owners to have rental units in what may eventually become a largely owner-occupied building.
- (4) C.M.H.C. was not prepared to enter into assistance on units under an assisted home ownership program whereby the new owner would receive any benefits of the reduced unit price and subsequent owners would receive no assistance.
- (5) Were additional family units to be built there may be some contradiction between the city's Housing Families at High Densities Guidelines which encourage smaller family oriented developments with children's play space and the larger projects resulting from bonus provisions.
- (6) No adequate procedure for policing the 215 agreements has been developed. This could be handled through sale of the units to a non-profit society or dispersed co-op if sufficient units are provided.
- (7) Lack of clear guidelines and procedure for the administration of the bonus units. There has been some reluctance on the part of city staff to maintain extensive waiting lists for the very few units B.C. Housing Management has assisted. However they are not funded to provide rent-to-income subsidies for bonus units.

Extension of the bonus system is possible, though unlikely to yield a substantial stock of affordable housing. An extension of the system should:

- i) Focus on bonus provisions in "modest priced" market units.
- ii) Be combined with senior government rental assistance programs (i.e. SAFER).
- iii) Be accompanied by a clear operating procedure for identifying tenants, ensuring vacancies are re-rented to suitable tenants, and management. (Possibly through non-profit or cooperatives.)

## APPENDIX 6A

### MANDATORY INCLUSION PROGRAM

"Mandatory Inclusion Zoning" is zoning which requires the private sector as a condition of development to include a portion of units for a specific household type and/or income. It is assumed that without public intervention to require inclusion the private sector would not otherwise build for the specified income/type requirements.

#### VANCOUVER EXPERIENCE

The City of Vancouver has implemented Mandatory Inclusion Zoning in False Creek. The False Creek Official Development Plan mandatory requirements include the provision that the "population age and incomes mix as reflected in the Greater Vancouver Region be adopted as a basin-wide objective."

These guidelines were implemented on an enclave basis in the City owned lands Area 6 Phase I and II.

On May 10, 1977 Council adopted an interpretation of "reasonable price" and procedures for implementing the low income component of income mix in Area 2, False Creek. Land was to be made available by Marathon at 2/3 market value for low income housing. "Low income" was defined as housing which can be afforded by households in the lowest 1/3 of the GVRD income range. (In 1977 2/3 of market value was the generally accepted workable formula for sale/lease of City owned lands for non-market housing). The Marathon development was never undertaken. Subsequently the lands were purchased by the Province for B.C. Place.

In Areas 10A and 10B (False Creek) seniors housing was negotiated during the plans approval process. The proposal for Area 6 Phase III (Johnston Terminals) is to include a minimum of 25% of units for non-market housing.

On June 18, 1981, the Director of Planning recommended that in exchange for a rezoning on the block bounded by West 13th and 14th Avenues, Heather and Willow Streets, that the developer agree to provide a minimum of 5,750 square feet of gross floor area for social housing purposes. Council considered the proposal and approved the rezoning application with the exception of the social housing provision.

The Downtown East Side Official Development Plan approved April 20, 1982 requires, as a condition of substantial renovation or redevelopment beyond a f.s.r. of 1, the provision of social housing.

#### EXPERIENCE ELSEWHERE

A variety of inclusionary programs have been in effect in the United States since the early 1970's. A review of the programs indicates:

- A variety of programs have been implemented. Few units have been produced.
- Most programs include as a condition of inclusion that public subsidy (income support/shelter allowance) programs be available, to ensure a fair market rent to developers. If subsidy programs are not available developers are relieved of the burden of providing low income units.

The City of San Francisco: Policy requires 10% of units in large new condominium projects to be low and moderate income if subsidies are available. This policy is being reexamined in light of the fact that at this time no subsidies are available.

- Builders tend to support the programs when the burden of arranging for public subsidies is placed on the city or local housing agency and where fair market rents are established on an area by area basis.

- When inclusion is mandatory with or without subsidies the legislation has been challenged in court. Courts have generally found for the developer.
- Most units have been designated for modest income ownership. Few authorities have required low income rental and certainly not without public subsidies.
- Several mandatory inclusion programs allow replacement on another site. The City of Seattle has attempted a payment in lieu of mandatory inclusion program attached to redevelopment resulting from demolition of rental housing. Developers are allowed some flexibility on the site on which the required units are provided. The agreement being that wide income mix in the same building (luxury adult condominium and subsidized families) may meet the needs of neither group. Experience to date with the program has not been all together satisfactory. There is considerable difficulty in requiring the follow up units at a later date.

#### **DAVIS, CALIFORNIA: INCLUSIONARY ZONING**

Making compliance with inclusionary zoning, economic mix, and other elements of a growth management plan a condition for obtaining building permits is a technique for encouraging the construction of low- and moderate-income housing. It also serves the city of Davis's deconcentration objectives. Inclusionary zoning provides for a mix of income groups within a development project and, specifically, the inclusion of low- and moderate-income housing.

All development proposals compete each spring for a limited number of building permits. Evaluation criteria include the economic mix of the subdivision, the provision of low- and moderate-income housing, and a fair-share allocation of assisted housing.

##### **The Technique in Practice**

In the spring of each year, city staff conduct a needs survey to define housing needs over the next three years, related to the number of jobs to be created and other factors. From the survey, a figure is derived representing the need for new housing, which, after submission to the city council for approval, is translated into a fixed number of building permits to be made available that year. Through newspaper announcements and other media, developers are informed of the number of permits available and invited to begin the application process. First, the developer must show proper zoning for the project—so-called preliminary planned development approval which already reflects a mandated economic mix. Those projects for which a preliminary planned development is approved may apply for the building permit. This application must include the

zoning map for the project and the developer's written assessment of the proposal in terms of 10 evaluation criteria. These criteria include responsiveness to the city's housing need figure, with specific consideration of low- and moderate-income-housing needs and consideration of an economic mix for various income levels in publicly assisted housing. The applications are ranked by staff for performance on these criteria and then submitted to the planning commission for review and approval. The process is completed by the end of August. It has been implemented each spring for the past five years.

Staff of the Community Development Program of the city of Davis is responsible for conducting the annual housing needs survey, processing the preliminary planned developments, and ranking development proposals. Level of effort for processing the applications is estimated at one-fourth man-year, although several professionals are involved on a part-time basis. Application fees cover the cost of processing.

This technique has been implemented in a community that is undergoing rapid growth and has desirable development potential. Developer interest has remained high—even with the imposition of the growth management plan—because the market is so good. One city official suggested that growth management plans are to some extent redundant when general plans include policies on low- and moderate-income housing, and compliance with the general plan is in fact verified and enforced for development proposals. The advantage of the growth management plan is that it focuses the policies and commitment of the city and provides leverage for implementation. In addition to controlling the economic mix of housing starts, the city of Davis has tried to assure that low- and moderate-income housing is integrated within the community, segregated neither by location nor by a general appearance radically at odds with the rest of the subdivision units.

#### **PROPOSED MANDATORY INCLUSION PROGRAM**

At the Council meeting of January 6, 1981, Alderman Bruce Eriksen submitted a notice of motion to require:

- (a) All development permits issued for any residential development requiring approval of the form of development in the City will require that a certain percentage of the total development or an appropriate fee in lieu of units will be made available to provide an ongoing stock of modest priced not-for-profit housing.

(b) The percentage will be determined as follows.

- Developments containing up to 5 units will be excluded from this provision.
- Developments containing between 5 to 10 units will provide 1 unit or equivalent fee.
- Developments containing 10 to 30 units will provide 10% of all units or equivalent fee.
- Developments containing between 30 and 100 units will provide for 15% of all units or equivalent fee.
- Developments containing over 100 units will provide 25% of all units.
- In the case of comprehensive schemes where individual development permits only provide a proportion of the total planned development, the number of non-market units will be assessed on the basis of the overall scheme.

A review of housing completion data for the five previous years was undertaken to estimate the provision of affordable housing assuming units actually built would have been built with a mandatory inclusion requirement in force. Details of calculation methodology follow:

The study concluded that:

1. On average 2500 private sector units eligible for imposition of the Eriksen formula are built in the city each year. This would translate into a requirement for developers to supply 320 low income units per year.
2. As a rule of thumb, every seven private sector units eligible under the Eriksen formula will generate one low income unit.
3. Most private sector units will fall into the 15% requirement. Larger projects (over 100 units) tend to be government assisted non-market housing.
4. The private market would likely respond by not building in the city. A letter from the Urban Development Institute, March 30, 1981, said: "The Urban Development Institute is very concerned that the proposed amendment to the Zoning and Development By-Law to mandatorily require a percentage of "modest priced not-for-profit housing" in residential developments may well result in the construction of even less housing in the City. For a developer to provide such units, or money in lieu thereof, would make the production of rental accommodation, already economically difficult, even more so."

#### COSTS AND BENEFITS OF MANDATORY INCLUSION

The likely effect of a mandatory inclusion policy would, without additional rent supplement, in the short term, be a reduction in private development activity in the city. Since most new development involves the demolition of existing modest price rental stock the secondary impact might be the retention of affordable rental housing in the short term. There is nothing preventing upgrading and an increase in rents in the remaining units.

The long term impact of a mandatory inclusion policy would depend upon the extent of the program and upon the demand for housing in the city. If new supply is limited and assuming demand continues to remain high then the net effect of the program could be to produce very few units and to contribute to a general increase in the overall price of housing in the city.

For a mandatory inclusion program to be equitable it should be applied to all new development and should be clearly identified as a condition of development in the Zoning and Development By-law. Companies purchasing real estate for the purpose of redevelopment would take into account in the purchase price the provision of modest priced housing. Ultimately, if demand is strong the market will adjust to pass the costs of the mandatory inclusion along to the present owner of redevelopment property and the purchaser of the new unit. The price adjustment is easier in areas undergoing upzoning Where mandatory inclusion is applied to existing

multiple zoned areas, there will no doubt be numerous complaints from persons who bought property paying a price which assumed multiple use without an inclusionary provision. The only "fair" means of implementing inclusionary zoning in existing multiple areas might be to pass a notice of intent to implement a program at a future date. (Phase-in on rezoning first). In theory, purchasers could start to adjust the market price. In practice building would probably halt.

The question of income/household mix in buildings is raised by inclusionary zoning measures. There is no doubt that community level income mix (False Creek enclave by enclave) works in Vancouver. There is some question as to the social viability of mixing high income adult (luxury owner occupied condominium units) with low income single or renting families. The option of transferring low income obligations to other sites does not appear to be working in Seattle.

The administration of an inclusionary zoning program implies several costs. Assuming inclusionary zoning was a condition of the Zoning and Development By-law, projects would be processed in a similar manner to other zoning requirements. (Indeed, if the market response was to reduce new construction staff costs would be negligible). Considerable administrative costs are involved in maintaining tenant lists, selecting tenants and monitoring units to ensure as vacancies occur they are filled by appropriate tenants. The most efficient process would be for the city to negotiate units and the B.C. Housing Management Commission or the GVRD to undertake the administration of the required units with rent supplement assistance available where required.

If mandatory inclusion can be combined with rent supplement assistance to ensure tenant rents cover basic costs, then an inclusion scheme would be more feasible and acceptable to the private sector.

#### LEGISLATIVE AUTHORITY

Whether or not the City has the power under the Charter to require developers to include a proportion of units for modest price housing is open to considerable question. The Director of Legal Services advises that in his opinion the City does not have the authority to make such demands on developers. Should the City wish to initiate a program of inclusionary zoning the Director of Legal Services advises requesting the Provincial Government to grant all municipalities and cities the opportunity to undertake programs of this type.

PROPOSED MANDATORY INCLUSION PROGRAM

BACKGROUND NOTES

CALCULATION OF ASSISTED UNITS IN PRIVATE DEVELOPMENTS USING MODIFIED ERIKSEN FORMULA

Housing completion data for the previous five years was analyzed to determine the implications of the Eriksen motion had it been in force from 1974-1980 and assuming developers continued to provide units (a questionable assumption).

Calculations of required modest price units were undertaken by:

- Assuming the motion applies to all developments and not just those applying for rezoning or CD-1.
- Tabulating projects completed by number of units by year.
- Subtracting social housing projects.
- Subtracting projects containing five units or less.
- Applying a modified Eriksen formula to remaining units.

The Eriksen formula was modified somewhat since 10% of 11 units still translates into one unit. The formula was reworded to read:

"Developments containing between 5 to 14 units will provide 1 unit or equivalent fee.

Developments containing 15 to 34 units will provide 10% of all units or equivalent fee.

Developments containing between 35 and 100 units will provide for 15% of all units or equivalent fee."

Developments containing over 100 units will provide for 25% of all units or equivalent fee".

The following table indicates what might have been the yield of modest income units had the Eriksen formula been applied from 1974-1980.

MANDATORY INCLUSION UNITS ERIKSEN FORMULA

DATE	# OF PROJECTS	# OF UNITS	# OF UNITS GOVERNMENT ASSISTED	# OF UNITS PRIVATE	# OF UNITS PRIVATE < 5	LOW INCOME REQUIREMENT UNITS
June 1974 - May 1975	656	3365	803	2562	1976	270
June 1975 - May 1976	691	3677	1278	2399	1790	223
June 1976 - May 1977	883	4034	891	3143	2340	321
June 1977 - May 1978	882	4723	1067	3656	2857	466
June 1978 - May 1979	830	3554	539	3015	2260	323

## APPENDIX 6B

### COMPENSATORY PROGRAM/MANDATED HOUSING

"Compensatory Programs" provide in compensation for development in one sector (e.g. office development) the provision of actions to mitigate or compensate for undesirable consequences. Those programs are also called "Mandated Housing".

The provision of houses by employers is not a new idea. Single resource base communities usually involve agreements by the employer to provide housing. In the eighteenth century, English industries built employee accommodation to ensure workers lived close to employment.

In 1981 the City of San Francisco adopted a policy requiring that commercial and industrial building developers absorb part of the housing impact of their development either through actual construction or by payment into a housing subsidy/construction fund.

In the San Francisco formula the first 50,000 square feet of a building are exempt from housing requirement. Beyond that size the policy ties development of office space to housing such that the development of new housing (or rehabilitation of long vacant existing housing) should be required in proportion to the amount of commercial office space as a condition of approval of all projects containing more than 50,000 square feet of office space. The requirement is for 640 sq. ft. of housing for every 1,000 sq. ft. of office space based upon the following assumptions:

1. The average gross sq. footage of office space per employee is 250 sq. ft.
2. 40% of employees will live in San Francisco.
3. The average gross sq. footage of residential space per person is 400 sq. ft.
4. The housing could be provided as part of the office building or on another site for the city.
5. The housing would be subject to low and moderate income requirements which apply city wide (10% low and moderate income in large projects, if subsidies are available.)
6. If a developer does not want to build, he has the option of subsidizing rents in neighborhoods where the impact of new construction might result in increased housing costs. Developers may also renovate existing structures or put money into a housing fund. The city, for its part, has promised to make higher zoning densities available for the mandated housing.

Thus far, Bay Area developers have been going along with the policy. Housing requirements have been calculated and a new hotel has agreed, under the financial obligation provisions of the policy, to pay to the city 50 cents a day per occupied room for 20 years. There is no time limit on when housing must be completed, and there is no precedent for punishment of failure to to comply

#### Applying the San Francisco Formula to Vancouver

Applying the San Francisco formula to the City of Vancouver for 1980 would have resulted in 1860 residential units of which at most 186 and as few as none would have been for low and moderate income housing given the "available subsidies" criteria.

It is too soon to assess the success of the San Francisco program and the impact on the private sector. It is important to note that units are not necessarily low income. Low income provisions need only be met if additional income support/rent subsidies are available or in negotiation with the developer for a reduction in the total housing requirement. Developers are allowed to build luxury accommodation if they choose to do so.

Application of the program to Vancouver would require consideration of zoning capacities. Vancouver is already almost fully developed to allowable residential zoning. Unless additional development opportunities are created a requirement for office developers to provide housing could result in demolition of existing rental housing to meet the requirements. For the program to be successful in Vancouver it would be necessary to provide redevelopment opportunities and/or restrict the type of compensation to rehabilitation of existing housing.

Should the city wish to consider compensatory legislation staff recommend a more detailed review of the implications of the program. This work to be undertaken in conjunction with the Coreplan program.

# APPENDIX 6C

## CONVERSION CONTROL

The City has the authority to allow or ban conversion of residential rental accommodation to strata title condominium. Several detailed reports have been prepared on the topic and should be referenced for background material (June 26, 1973, February 1974, June 15, 1976, July 12, 1977, April 25, 1979).

The present policy is to refuse conversion where more than one-third of households occupying the building object to the conversion.

Since the City imposed strata title conversion restrictions there have been few larger (exceeding 5 units) existing rental buildings converted to strata title. Approval trends for the past four years are noted below. If 1982 pending units are approved there will be a 53% increase in conversions in 1982 over 1981.

### NUMBER OF CITY APPROVED CONVERSIONS OF EXISTING RENTAL HOUSING TO STRATA TITLE

	NUMBER OF UNITS IN BUILDINGS OF 5 UNITS OR LESS	NUMBER OF UNITS IN BUILDINGS OF MORE THAN 5 UNITS*
1979	34 units (10 buildings)	150 units (7 buildings)
1980	48 units (17 buildings)	137 units (4 buildings)
1981	76 units (25 buildings)	264 units (9 buildings)
1982 Approved	80 units (23 buildings)	110 units (9 buildings)
1981-82 pending	59 units (18 buildings)	273 units (9 buildings)

\*Larger Buildings (more than 15 units) Approval Include:

SIZE OF BUILDING (Units)	AGE OF BUILDING	CIRCUMSTANCES
<u>1979</u> 15 28 70 16	1956 1928 1968 1956	8 occupants all approved 25 of 29 tenants approved 51 of 70 tenants approved 12 of 13 tenants approved
<u>1980</u> 30 95	1979* 1966	26 of 30 tenants approved 76 of 95 tenants approved long-term lease to strata
<u>1981</u> 55 162	1912** 1972	vacant at time of application 26 of 36 residents approved (Crofton Manor)
<u>1982</u> 20 27 22	1980* 1923 1930	17 of 20 tenants support 20 of 27 tenants support (Melton Ct) 22 of 22 support

\*Recent completions. Delays in processing strata prior to occupancy resulted in need for City approval. Largely a formality. Tenants notified and agreed to strata prior to occupancy.

\*\*May have applied for strata after clearing the building of tenants for extensive renovations.

Revisions to the current policy to, for example, initiate a ban on condominium conversions are unlikely to have more than a temporary nuisance impact. Larger buildings are generally restrained from conversion by the existing policy.

In the long run, conversion control will probably be viewed as an interim measure and one of several regulatory actions and incentives encouraging the demolition of older rental units. Projections of future city housing stock (assuming existing zoning) indicate a substantial proportion of the existing older (pre 1970) rental stock will be demolished and replaced by strata titled units during the next twenty to thirty years.

An emerging policy issue to be addressed is what controls, if any, should be imposed on strata title units, built under government incentives to provide rental housing (MURBS-ARP) which may eventually lose their attractiveness as rental investment and be sold as owner occupied apartments. At that point, renters will be displaced. Current policies do not regulate this potential displacement the impact of which on renters may be similar to findings in a recent U.S. study of conversions.

A U.S. Housing and Urban Development study of conversions in major cities from 1977-1979 showed that only 22% of the original tenants bought their apartments, 20% remained as renters under new absentee owners and 58% moved out. By January 1980 63% of apartments were occupied by owners, 37% by renters. Many of the renters were leasing from relatives. Owner occupiers tended to be young and fairly well off.

The majority of buildings requesting conversion to strata are small premises with 5 or less units. Most have no tenants when application is made. Most are converted, once single family, homes which have been rented. Owners have cleared the units intending to renovate, and strata title for sale. These multiple conversion dwellings contain some of the lowest priced rental stock. For that reason it would be desirable to retain the units in rental. However, for the City to legislate against such strata title applications would be inconsistent with provisions of the Zoning By-law which encourage retention, upgrading and renovation of older homes in conversion zones.

Unless rental assistance or some other incentives (tax concessions, grants etc) are available to owners of multiple conversion dwellings then rehabilitation and sale may be a more viable option than retention for low rental housing. Continuing to include small (under 5 unit) multiple conversion dwellings under the City's Strata Title conversion control regulations may be an unnecessary procedure which delays but does not halt the loss of this type of stock to owner occupancy.

An emerging problem outlined in Appendix 2 and Appendix 5A is the Strata Titling of apartment buildings prior to rental. This may well result in future displacement of tenants with no protection from the City's conversion control policy. A provision to require strata titled units occupied by tenants to apply to "convert" to rental occupancy is not presently possible under the City Charter since the Charter does not give the City authority under the zoning powers to legislate tenure. Staff are recommending a review of this issue and preparation of a briefing paper as a basis for discussing this concern with provincial authorities.

## APPENDIX 6

### REVIEW OF ACTIONS TO

#### REQUIRE THE PROVISION OF AFFORDABLE RENTAL HOUSING

The Council motion of May , 1981 identified several regulatory measures to require the provision of affordable rental housing. Those regulatory measures presently, or potentially, within the jurisdiction of the city are delivered through provisions of the Zoning and Development By-law.

#### Market Impact

Measures which require builder/owners to provide affordable rental housing without adequate publicly funded income support assistance to the lowest income tenants will further aggravate the rental housing market.

Two diagrams follow which indicate a "normal" rental housing market process and the impact on the market of extensive controls. The control scenario suggests that whether or not demolitions are allowed without income assistance programs the net result is a loss of modest priced rental stock.

Comments from private sector representatives to the city task force on housing suggest that the market will continue to operate under various types of controls provided units required for modest income housing are linked to some form of publically funded rent supplement or shelter allowance program whereby costs of operating and a modest profit are possible. This observation is substantiated in several U.S. and European areas where combination public-private programs are in operation. The A.R.P.- rent supplement program of 1976-77 is a local example of public-private initiatives. The main difficulty of such initiatives is that if the public funding is withdrawn then the tenant is no longer able to afford the accommodation and must move.

#### Public Response to Regulation

Public response to regulatory programs has not been formally assessed. Responses to the Goals for Vancouver program indicated considerable reservations about the use of regulatory measures which were not clearly seen to be in the public interest.

#### Rental Only Zones

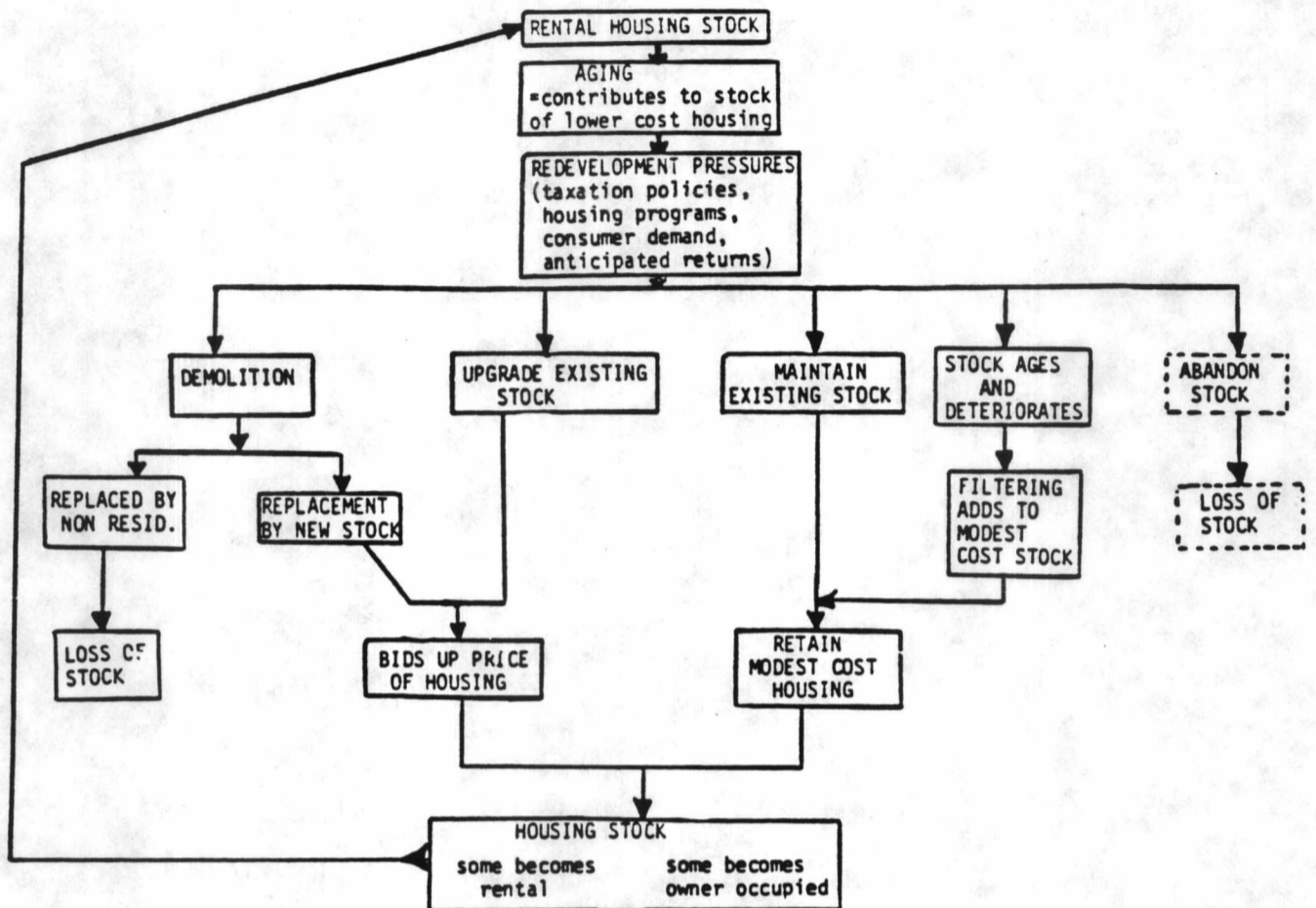
The City Charter currently gives the authority to regulate use and occupancy but not tenure. That is, it would be necessary to amend the City Charter to zone land for rental accommodation only.

The ability to zone areas for rental only housing could have a positive effect on land prices in that prices would be set by the rental market and not, as currently occurs, by higher income generating uses (offices, condominiums). Even so there would be no assurance that the units would rent out at affordable (as defined by this report) rents. The cost of money, management, construction and land would still result in rents exceeding low income budgets unless additional subsidy assistance is provided.

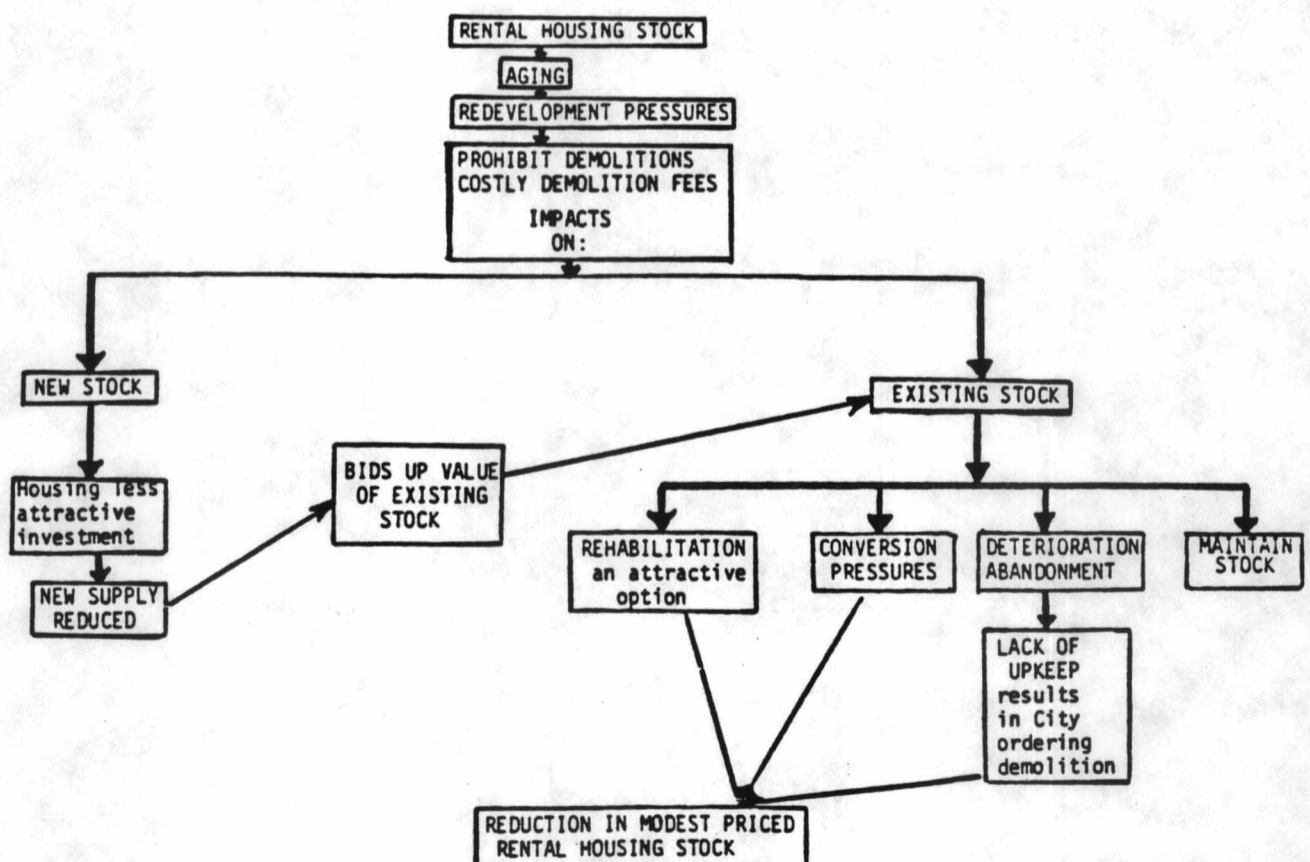
Zoning of an area for a particular use does not necessarily result in a rapid response by the market. For example, the RT-2 zone in Riley Park is only 7% developed for conversions while the zoning allows 100% conversions.

"Rental only" would require reconsideration of existing apartment investment policies. Units are currently strata titled and rented for investment. "Rental only" would presumably exclude owner occupied strata title units and be seen by investors to be unduly restricting

# THE "NORMAL" RENTAL HOUSING MARKET PROCESS



## THE RENTAL MARKET WITH EXTENSIVE CONTROLS



DEMOLITION CONTROL POLICY

The issue of demolition control has been before Council numerous times, since the imposition of demolition regulations in 1975. Previous reports (AUGUST 24, 1977, October 25, 1979, November 8, 1979, June 26, 1980, March 26, 1981 and October 6, 1981) outlining the impact of demolition controls are on file in the City Clerk's office.

The concerns which generated demolition controls have not changed appreciably since 1975, nor are we closer to a resolution.

- (a) Shortage of vacant sites invariably results in demolition of existing older modest priced rental housing. The West End, Kitsilano, and Grandview-Woodlands continue to be most affected. While some demolition is a result of stock deterioration beyond the point of repair, the majority of demolitions are of sound stock on sites where the owner expects greater returns through redevelopment.

Between January 1 and August 31, 1981, 894 units have been demolished of which 326 units were multiple rental, 461 single family dwellings, and 107 motel/hotel units. Total demolitions were up 58% in 1981 over the previous year reflecting the very active housing market. Demolitions are expected to show a significant drop in 1982.

<u>Year</u>	<u>New Units Completed</u>	<u>Units Demolished</u> <u>Total (In Apts.)</u>		<u>Total Stock</u>
1976/1977	3,488	1,183	(576)	168,890
1977/1978	3,582	878	(429)	171,594
1978/1979	3,172	926	(454)	173,840
1979/1980	2,236	964	(471)	175,112
1980/1981	2,112	1,529	(674)	175,692

- (b) There is no agreement as to who should bear the cost of housing low income households. Governments have been unwilling or unable to provide sufficient income support and supply incentives. Stringent demolition control may place an unfair onus for housing the poor on the owners of existing rental housing.

The objective behind the demolition control regulations -- to discourage premature removal of viable rental stock when no immediate plans for redevelopment are contemplated by the owner -- has largely been achieved. The objective of retaining a stock of lower priced rental accommodation has not been met. The By-law delays and regulates but does not halt demolition of older rental stock.

More Stringent Demolition Controls:

Staff have reviewed several measures (see page 3, Appendix 6D), to provide a few more months of occupancy for tenants, to eliminate the speculator who may not intend to proceed with development, to reduce the number of vacant buildings which can be hazards to the community, and to mitigate some of the trauma associated with relocation.

Such measures might include requiring developers to submit an irrevocable letter of credit made payable to the City as a performance guarantee that the units will be occupied until demolition and that construction will commence shortly upon obtaining a Building Permit. Another action could be to require developers to inform the city of arrangements made to assist with the relocation of tenants. Various forms of moratoriums and bans were considered.

Motion to Require 100% Completion of a Building Permit:

A motion placed before Council on July 13, 1982 to require 100% completion of a building permit (present rule 50% completion) prior to issuance of a permit to demolish is within the jurisdiction of the City to implement.

Discussions with the Rentalsman indicate that policies administered through the Provincial Residential Tenancy Act and not City demolition permit regulations prescribe tenancy. That is, the City could hold the building up. The building would not necessarily remain occupied if application to terminate the tenancies had been duly applied for and obtained from the Rentalsman. The Rentalsman operates under a policy directive not to unduly hinder the redevelopment process when demolition and redevelopment appears to be the inevitable outcome of an application to vacate a premises.

Ban or Moratorium on Demolitions:

On October 6, 1981 Council adopted two resolutions:

"That staff be directed to prepare the necessary By-law amendments to provide that no Development Permit to replace existing residential rental accommodation shall be issued until a Building Permit and a Development Permit permitting demolition have been applied for and approved for issuance."

"That Council request the Director of Legal Services to attempt to obtain the necessary legislation to prohibit or otherwise regulate demolitions."

The City requested the Provincial Government add a Section 571B to the City Charter to enable Council to prohibit the demolition of residential rental accommodation. The Provincial legislature considered this request in July 1982 and did not pass the required enabling legislation.

Effect on the Market of Stringest Controls

A short term moratorium on demolitions may be appropriate in specific areas and on specific types of stock to allow Council time to consider proposals to acquire existing units or to redirect development activity elsewhere.

More stringent demolition controls such as banning demolitions or placing a levy on redevelopment may retain modest-priced accommodation in the short term. However, the long-term effect, in a market characterized by a strong demand for housing, is to discourage new development. The price of existing housing is bid up. The unit may remain; it will not necessarily be affordable to low income tenants.

Legislative Authority

The Director of Legal Services advises that the present demolition control regulations are probably within the authority of the City. More stringent demolition controls such as a moratorium, a ban or requiring satisfactory relocation of tenants are presently ultra vires the powers of the City.

Review of Possible Actions  
to regulate demolitions of Residential Rental  
Accommodation and the City's Authority to Act

POSSIBLE DEMOLITION ACTIONS	CITY AUTHORITY
1. Require Development Permit and 50% of Building Permit prior to demolition	Present Policy under Charter Section 565(c) allowing Council to make By-laws regulating the construction, use or occupancy of buildings
2. Require 100% Building Permit prior to demolition	Possible under Section 565(c) See comments Page 2 Appendix 6D.
3. Ban or place Moratorium on Demolitions	<u>Ultra vires</u> city powers. The City does not have the emergency powers vested in municipalities through the Municipal Act whereby Victoria City in 1981 placed a moratorium on demolitions. This was upheld in a subsequent court case. The City requested similar emergency powers through a private member's bill. This was not passed by Provincial Legislature in June 1981.
4. Allow demolition only if Tenants are relocated to the satisfaction of City Council or designated official	Council may make by-laws under Section 330(a) for providing for the care, promotion and protection of the health of the inhabitants of the city. It may be possible to argue that health is affected by undue trauma associated with relocation and that the city could assume some responsibility for assuring the care and protection of the tenant.
5. Allow demolition if prior agreement by irrevocable letter of credit that if construction is not started within a specified time period the developer will forfeit the deposit. Program to discourage premature demolition when owner has no immediate plans to proceed with redevelopment	<u>Ultra vires</u> city powers. City can require a performance guarantee which will be used by the city to undertake the work if not done by the owner. The city does not have the authority as proposed in item 5.
6. Require the landlord to keep the tenants in the building until a demolition permit is issued	<u>Ultra vires</u> city powers. Residential tenancies are regulated by the Provincial <u>Residential Tenancy Act</u> .

7. Use Section 306 of City Charter to regulate demolitions. (By-laws regulating construction)

While the definition of construction includes demolition, the City's power to regulate construction is limited to ensuring that construction does not impose a danger. As our purpose in seeking to control demolitions is not directed at ensuring that the operation is safe, the section is not available to support a demolition control by-law.
8. Use Section 183 Poor and Destitute to regulate demolitions

The provision allows Council by two-third's majority to authorize additional benefits under special circumstances at the sole cost of the city. The city could assist tenants with relocation funds or rental assistance if Council so chose. The section can not be used to regulate or require others to confer benefits.
9. Control demolition of structurally sound housing where the replacement housing neither adds materially to the housing stock nor accommodates displaced tenants

Ultra vires city powers. Demolition control may not be legally defensible if directed solely at retaining present uses, buildings or occupancies on a selective basis. Section 565A(d) of the Charter is not seen to include the power to prohibit the redevelopment of land for uses which would otherwise be permitted except for the desire on the part of the approving authority to retain in whole or in part some pre-existing use, building or occupancy.
10. Downzone to discourage redevelopment

The City does not have the power to halt all development. The City could substantially downzone an area thereby discouraging demolition and redevelopment. The Director of Legal Services advises that if the downzoning was enacted and subsequently challenged in court and if the court found for the plaintiff, the city could be liable for punitive damages.
11. Limit redevelopment by permitting redevelopment for townhouses or apartments only in respect to structurally unsound buildings or under-utilized properties

Current zoning requirement in RT-2, RT-2A areas. Experience with this By-law has not been fully analyzed. Comments noted under the item on downzoning are applicable.
12. Allow redevelopment (including demolition) only on the condition that an equal or specified greater number or proportion of similar units were to replace the number being demolished

There is little the city can do to control the cost or tenure of new units since new buildings can be strata titled without reference to the city.

## APPENDIX 7

### LEGISLATIVE AUTHORITY FOR CITY ACTIONS

The Vancouver Charter is the basis for legislative authority for the city to undertake policy initiatives. This report outlines a variety of initiatives which could be considered to retain/provide a stock of affordable rental housing.

The Director of Legal Services has reviewed the initiatives outlined in this report and concludes that the city has the authority to undertake some of the actions. Other actions would be ultra vires the powers of the City. The following table summarizes the initiatives:

<u>ACTION</u>	<u>CITY AUTHORITY</u>		<u>COMMENTS</u>
	<u>YES</u>	<u>NO</u>	
Acquire Existing Buildings	X		Section 193
Bonus Non Market Housing	X		
Compensatory Requirements (Housing/office)		X	
Conversion Control	X		Provincial Statute Residential only
Demolition Control	X		
Demolition Ban		X	
Densification	X		Section 565
Financial Assistance to Builders	X BUT		Only if cost shared with Senior Governments. Sec.192.
Mandatory Inclusion		X	
Rental Only		X	
Standards of Maintenance (occupied buildings)	X		Section 306
Shelter Allowances Financial Assistance to Tenants	X		If Cost Shared Sec. 192 Section 183 (2/3 majority)

Several of the sections under which the City derives it's authority are listed below:.

- a. Responsibility under the City Charter to assist the disadvantage is contained in Section 183.

**Poor and  
destitute.**

**183.** The city shall make provision for its poor and destitute by granting social assistance to them, or by contributing to the cost of social assistance that may be given to them, or both; but only to the extent limited by

- (a) the definitions or limitations, or both, of responsibility contained in the terms or provisions of the *Residence and Responsibility Act*, or in any regulation made thereunder;
- (b) the *Social Assistance Act* and the regulations made and policies formulated thereunder; and
- (c) regulations made under the *Hospital Act*, or the *Community Care Facilities Licensing Act*;

but the Council may, by a two-thirds' majority of all the members, authorize additional benefits under special circumstances at the sole cost of the city. 1972, c. 58, s. 21

b. COST SHARED AGREEMENTS

City may enter into agreements pursuant to Statutes.

192. The Council shall have power to make the city a party
- (a) to any agreement to which under the terms of any Act of the Dominion or the Province it is contemplated that municipalities may be parties and which the Council deems will be for the benefit of the city, including an agreement to borrow money in any case where the Act of the Dominion or Province authorizes or provides for the lending of money to municipalities;
  - (b) to any agreement with Her Majesty in her right of Canada or the Province, or any of her duly authorized agents, with respect to the construction, improvement, and maintenance of any private roads or ways, sewers, water-mains, poles, wires, pipes, conduits, or other utilities, installations, or equipment at any time situate on, over, or under the surface of any real property in the city in which Her Majesty aforesaid has any interest, and for contributing in whole or in part towards the cost thereof; provided that the entering into any such agreement or the expenditure of any money by the city hereunder shall not of itself constitute any road or way aforesaid a public street or highway or be deemed to be evidence of dedication or acceptance of the same as such. 1953, c. 55, s. 192; 1974, c. 104, s. 48.

c. UNDERTAKE HOUSING DEVELOPMENT

Power to undertake housing development.

193. The Council may acquire real property and, by removing or remodelling the buildings thereon, or by constructing dwellings thereon, develop such real property for the purpose of providing housing accommodation for such persons and on such terms as the Council shall think fit, and may maintain, improve, manage, and operate such housing accommodation, and may delegate to a board or commission appointed by the Council all or any of the powers of the Council under this section. 1953, c. 55, s. 193.

d. MAKE GRANTS

Council may make grants.

Charity.

Welfare organizations.

206. The Council may, by resolution passed by not less than two-thirds of all its members, provide for the making of money grants to
- (a) any charitable institution;
  - (i) any organization deemed by the Council to be contributing to the culture, beautification, health, or welfare of the city;

e. BUILDING BY-LAWS

Interpretation.

BUILDINGS

304. In this Part, unless the context otherwise requires,
- "building" includes structures of every kind, excavations in respect of any structure, and everything so attached to a structure as to constitute it real property;
  - "construction" includes erection, repair, alteration, enlargement, addition, demolition, removal, and excavation. 1953, c. 55, s. 304; 1963, c. 60, s. 8.

By-laws regulating construction.

306. The Council may make by-laws
- (a) for regulating the construction of buildings
    - (i) where the safety of persons or property is concerned;
    - (ii) where the health of occupants or others is concerned;
    - (iii) where the protection of persons or property against fire is concerned;

f. STANDARDS OF MAINTENANCE Section 306

Standards for dwellings.

- (i) for fixing standards of fitness for human habitation to which all dwellings, whether single or multiple, shall conform, and for requiring the owners of dwellings to make the same conform to any such standards, and for prohibiting the use or occupancy of dwellings which do not conform with any standard so fixed, and for providing (after the giving of notice as hereinafter provided) that in default of such conformation to such standards the city may by its workmen or others enter and effect such repairs, renovations, or alterations as are necessary to make the dwellings conform to such standards at the cost of the person so defaulting; no such work shall be undertaken by the city until the expiration of 60 days after the date of service of a notice to that effect has been given by registered mail to the owner or has been posted on the premises;

g. ZONING By-LAW

Most actions undertaken to-date to regulate the private sector rental market are derived from Section 565 Zoning.

*Zoning*

Zoning by-law.

**565. The Council may make by-laws**

- (a) dividing the city or any portion thereof into districts or zones of such number, shape, or size as Council may deem fit;
- (b) regulating, within any designated district or zone, the use or occupancy of land and land covered by water for or except for such purposes as may be set out in the by-law;
- (c) regulating, within any designated district or zone, the construction, use, or occupancy of buildings for or except for such purposes as may be set out in the by-law;
- (d) regulating the height, bulk, location, size, floor area, spacing, and external design of buildings to be erected within the city or within designated districts or zones;
- (e) prescribing, in any district or zone, building lines and the area of yards, courts, and open spaces to be maintained; and regulating in any district or zone the maximum density of population or the maximum floor-space ratio permissible;

By-law.

**565A. Council may make by-laws**

- (a) prohibiting any person from undertaking any development without having first obtained a permit therefor. Such permit shall hereinafter be referred to as a "development permit";
- (b) providing that a development permit may be limited in time and subject to conditions, and making it an offence for any person to fail to comply with such conditions;
- (c) providing that no building permit shall be issued for the construction of any building until a development permit has first been obtained;
- (d) delegating to any official of the city or to any board composed of such officials such powers of discretion relating to zoning matters which to Council seem appropriate;
- (e) providing for the relaxation in any case where literal enforcement would result in unnecessary hardship of any provision of
  - (i) a zoning by-law (provided, however, that such power to relax shall not be used to permit any construction to provide for multiple occupancy in a one-family dwelling district nor to permit in such a district the use or occupancy of a dwelling as a multiple occupancy dwelling unless it was so used or occupied as at April 1st, 1964),
  - (ii) a by-law prescribing requirements for buildings.
 Such relaxation may be limited in time and may be subject to conditions. The by-law may authorize such relaxation by the Director of Planning or by any board constituted pursuant to clause (d);

## APPENDIX 8

### OBJECTIVES OF AN AFFORDABLE RENTAL HOUSING STRATEGY

Existing Council housing policies and the Goals for Vancouver Program suggest a number of objectives for consideration when adopting an affordable rental housing strategy.

An affordable rental housing strategy should:

1. Respond to the goal of providing a wide range of housing cost and types to meet the shelter requirements of existing and future Vancouver residents.

... Goals for Vancouver

2. Recognize the special needs of the disadvantaged and assist in all ways possible to improve their situation and enable them to participate in the mainstream of life.

... Goals for Vancouver

3. Be equitable in that the costs are universally applied, shared by all citizens and accurately reflect the values and conditions of our society.

... Goals for Vancouver

4. Direct assistance toward households most in need and toward housing which will continue to provide shelter with security of tenure for the disadvantaged.

... Vancouver Social Housing Policy

5. Not act as a disincentive to the normal functioning of the housing market.

... Private Sector Request

6. Be co-ordinated with employment, transportation, urban service and amenity programs.

... Comprehensive Planning Guideline

## APPENDIX 9

### ANNUAL TARGETS FOR PRIVATE SECTOR ACTIONS

Any resolution of housing issues in Vancouver will require a variety of actions. Provision of housing by non-profit and cooperative groups is one direction. Council has adopted several actions to encourage non-market housing.

The City currently sets annual targets for non-market housing. These targets assist senior governments to allocate subsidies.

Additional modest priced units could be achieved by improved cooperation between private sector developers and government funding agencies such that agreements to provide modest income housing would be accompanied by assistance to cover basic owner-management costs.

The City could also set targets for private sector assisted actions. The private sector targets would indicate to senior governments rent supplement requirements necessary to accompany and encourage developers to incorporate units for modest income households in existing and new developments.

#### ANNUAL RENT SUPPLEMENT TARGETS

Calculation of annual rent supplement targets varies considerably depending upon objectives and assumptions.

Assuming an objective to respond to unmet housing need and to retain a proportion of the City's housing stock as 'affordable' rental then:

a) an annual rent supplement target of 750 units (or 15% additions to the stock) available to units supplied through mandatory inclusion, compensatory programs, bonus units and to accompany private sector rehabilitation activities.

b) Provision of Shelter Allowance (estimated demand 30,000 households, 1981).

The City has requested senior governments provide rent supplement and shelter allowance assistance (March 4, 1980).

Should senior governments undertake to provide rent supplement/shelter allowance programs the following calculations of targets could provide a guideline to the city's annual funding requirements.

#### BACKGROUND CALCULATIONS RENT SUPPLEMENT ASSISTANCE

##### A. Definitions

###### Shelter Allowances

- Income support to tenants. Not tied to specific units.

Shelter allowances are usually calculated on rents of existing units. If the city also wishes to assist affordability in a portion of the new and substantially renovated stock then subsidies considerably deeper than typical shelter allowance schemes will be necessary. For example, rents of older one bedroom units average \$260/month. Given land, financing and management costs of new one bedroom units a break-even rent is more in the order of \$800/month. Let's assume we are assisting a household earning \$10,000/year into a 30% rent-to-income shelter ratio. Shelter allowance requirements in the older units would be \$10/month. Assistance required on the new unit would be \$550/month.

###### Rent Supplements

- Income support to tenants. Tied to specific units provided by the Private sector.

Some programs combine universal shelter allowance programs with a second rent supplement program available on new units or to special needs households. Schemes to bonus developers of modest priced housing and to include a proportion of new development for modest income households are feasible provided some rent supplement assistance is available to cover owner-manager costs.

B. Calculation of Rent Supplement Targets

Calculation of rent supplement targets assumes that a proportion of all new and substantially renovated market stock is made available, with rent supplement assistance, to modest income households.

The calculations take into account the following concerns:

- At least 25% of city households (most of them renters) currently are experiencing affordability problems.
- Projections of housing requirements for at least the next twenty years indicate the possibility of
  - considerable displacement (as many as 50,000 households) of low income households from the city if employment generation continues at expected rates and present zoning capacities are maintained.
  - If housing supply keeps pace with employment generation the problems of affordability will continue for a portion of the city's households.

C. Example Annual Private Sector Rent Supplement Targets 1981-2001

- a) If growth continues as estimated by Coreplan studies then annual targets for assisted housing activities involving private sector developers would be:

ANNUAL TARGETS UNDER COREPLAN TREND  
EMPLOYMENT GROWTH ASSUMPTIONS

Rent Supplement            750 units\*

Shelter Allowances    13,000 - 30,000 Households\*\*

\*Assume annual targets of 750 units indicates the increment to assisted stock which will require ongoing funding (e.g. year two 1460 units require rent supplement).

\*\*Assistance to renters in private sector accommodation will decrease as the number of units in non-market and rent supplement categories increases.

A preliminary allocation of private sector rent supplement units between programs:

Mandatory inclusion in all new construction	350 units
Compensatory legislation (link to employment)	200 units
Bonus units	20 units
Substantial renovation for resale inclusion	80 units
Rehabilitation (RRAP) Private Sector	<u>100 units</u>
	750

- b) If growth alters from present Coreplan Trend Projections then the city should attempt to ensure that as a proportion of annual activities the following targets are maintained.

Rent Supplement            15% new and substantially renovated private sector units.

Shelter Allowance        All renting households spending in excess of 30% rent-to-income or similar market basket established maximum.

Those actions involving rent supplements for the private sector assume the percentage inclusion proposals outlined in Appendix 6A, compensatory formulas Appendix 6B, some bonus units and a percentage inclusion in larger buildings undergoing substantial renovation for resale.

D. HOUSING STOCK PROPOSAL 1981-2001+

To provide a proportion (24%) of the present housing stock affordable to low and modest income households would require, in addition to the 7% of non market stock now available, assistance to 17% of households through income support.

1981 HOUSING STOCK

TYPES OF ASSISTANCE PROVIDED & REQUIRED

1981 (175,000 City Households)			
"Affordability" Program	Funding	% Stock	Comments
Non Profit Rental	City/ Sr.Govts.	6%	11,000 existing units
New Cooperatives	City/ Sr.Govts.	1%	1,500 existing units
Existing Stock "SAVES" for non-market	Sr.Govts. City N.P. Group		
Shelter Allowances for Existing Stock and/or Rents Supplement New & Rehab.Units	Sr.Govts.	17%	Estimated affordability problems existing renters 27,500 households.
CITY HOUSEHOLDS		24%	40,000 households

Over time to improve the long term security of tenure for lower income renters and to transfer some of the costs of housing the poor from the private to public sector an increased proportion of the assistance to lower income households should be through non profit and cooperative programs.

For example, if and when the city reaches a stock of 260,000 housing units (which given employment projections could be around the turn of the century) an appropriate distribution of housing stock for modest and low income households might be:

260,000 City Households

"Affordability" Program	% Stock	# Units Target
Non Profit Rental	6%	16,000
New Cooperatives	8%	20,000
Existing Stock "SAVES" for non-market		
Shelter Allowances Existing Stock	5%	13,000
Rents Supplement New & Rehab Units	5%	13,000
	24%	62,000 Households

The proposed long term targets for the tenure/funding of housing for low income households imply:

1. Transfer of burden of housing the poor ( one-quarter of the city households) from private sector to public sector.
2. Assumption that Vancouver will over time remain an "in-demand" housing area. As such shelter allowance programs will be less applicable than non-market actions and unit specific public-private rent supplement agreements.
3. Increased development opportunities lifting the existing allowable zoning from 210,000 units to at least 260,000 units.
4. Average annual new construction activities of 4,200 gross units.
5. A proportion of modest to low income households would prefer the anonymity and variety of opportunities implied by renting in private sector developments.
6. The non-market sector has the development capacity to provide a substantial proportion, but not all, of the necessary modest-to-low income housing.
7. In-project mixing may not be appropriate in all instances. Renting from the private sector implies some increased insecurity of tenure for lower income households. Rent supplements can more easily be "phased-out" than non-profit rental projects. For these reasons a substantial non-profit sector should be maintained and encouraged. In some cases payment in lieu of inclusion of low income units may be an acceptable response for the private sector. Such funds to be used to provide non-market housing elsewhere.
8. Little remaining city land for new non-market construction.
9. Modest construction of new non-profit rental through proposal call and non-profit corporation activities.
10. A heavy emphasis by government in saving (acquiring) older existing rental stock and transferring the ownership of that stock from the private sector to non-profit and tenant run cooperatives.
11. Provision of senior government rent supplement and shelter allowance assistance.
12. Annual non-market allocations to the city for new and acquisition of existing units for non-market housing : at least 1300 units.
13. Annual targets need to be linked to employment growth.
14. Monitoring of housing need and "affordable" housing opportunities to ensure targets respond to changing requirements.

IMPLIED AFFORDABLE PRIVATE SECTOR RENTAL HOUSING STRATEGY

A variety of actions are required to address housing needs. Below is a program proposal which combines a variety of actions to retain a portion (at least 24% of the stock) as affordable to low and modest income households.

The target of 24% of the stock as affordable rental housing reflects the estimated present proportion of city households requiring assistance to assure affordability.

The programs listed combine both public and private sector actions:

1. Focus actions on incentives to provide affordable rental housing.  
Regulatory actions are counterproductive unless combined with incentive programs.
2. Retain existing modest priced rental stock by:
  - (a) Acquisition for non-market housing using senior government funding programs. City to facilitate program. (Appendix 5A page 4).
  - (b) Redirect redevelopment pressure from existing multiple rental stock by providing alternate development opportunities. City to consider densification and redevelopment opportunities. (Report forthcoming and see Appendix 5C).
3. Increase the supply of new rental stock.
  - (a) Public rental housing proposal call program funded by senior governments managed by Province of B.C. and/or GVRD Housing Corporation. (See Appendix 5A page 4).
  - (b) Incentives to owner occupiers to provide rental housing through conversion. City facilitate conversion opportunities utilizing existing senior government funding programs. (See Appendix 2 page 3 and Appendix 5A page 3).
  - (c) Provision of rental units and/or payment in lieu provisions attached to new or substantially renovated market housing. City to consider program of mandatory inclusion and compensatory inclusion of modest income units in conjunction with senior government rent supplement assistance. (See Appendix 6A and 6B.)
  - (d) Private sector rental assistance provided that units are affordable and remain in rental tenure. (Appendix 2, page 7 and Appendix 5A page 1).
4. Increase the stock of affordable rental housing.
  - (a) Institute a program of shelter allowances calculated through a market basket formula and available on a means-tested basis to low income households in existing rental housing. The shelter allowance program to precede and accompany rent decontrol. Senior government funding required. (See Appendix 4 page 3 and Appendix 5B).
  - (b) Institute a senior government funded rent supplement program available to new units provided by:
    - (i) Non profit family rental: deep subsidy program to ensure units are available on a rent-to-income basis to low income families.
    - (ii) Private market units developed under bonus or mandatory inclusion or compensatory schemes. (See Appendix 5D & 6A,B)